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A	ADVANCED POLYMER SYSTEMS INC	10Q	03-31-92
B	AKORN INC	10Q	03-31-92
C	ALLCITY INSURANCE CO	10Q	03-31-92
D	ALOETTE COSMETICS INC	10Q	03-31-92
E	ALTA GOLD CO	10Q	03-31-92
F	CONTINUUM GROUP INC	10Q	03-31-92
G	DARCY CORP	10Q	06-30-91
H	EX-CEL RESOURCES INC	10Q	09-30-91
I	HOSPITAL STAFFING SERVICES INC	10Q	05-31-92
J	LANGER BIOMECHANICS GROUP INC	10Q	05-30-92
K	LANNETT CO INC	10Q	03-31-92
L	MARTECH USA INC	10Q	05-31-92
M	MASCOTT CORP	10Q	05-31-92
N	MAXI GROUP INC	10Q	09-30-91
O	MEDENTA CORP	10Q	03-31-92
P	NEWPORT CARPET MILLS INC	10Q	02-29-92
Q	PASCALL GROUP INC	10Q	02-29-92
R	PATRIOT SCIENTIFIC CORP	10Q	02-29-92
S	ROCK-A-BYE BABY INC	10Q	12-31-91
T	SEARCH NATURAL RESOURCES INC	10Q	03-31-92
U	TANDY CREDIT CORP	10Q	03-31-92
V	VINLAND PROPERTY TRUST	10Q	05-31-92
W	WISCONSIN ELECTRIC POWER CO	10Q	03-31-92
X	WORLDWIDE COLLECTIONS FUND INC	10Q	04-30-92

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1992

[ ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file Number 0-16109

ADVANCED POLYMER SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-2875566 (IRS Employer Identification No.)

3696 Haven Avenue, Redwood City, CA 94063
(Address of principal executive offices)

(415) 366-2626
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

At April 30, 1992, the number of outstanding shares of the Company's common stock, par value $.01, was 12,107,169.

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PART I. FINANCIAL INFORMATION

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PART I.
ITEM 1.

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$4,848,789	$1,572,396
Marketable securities	6,522,543	1,207,935
Trade accounts receivable, net	607,670	334,141
Receivable from Rhone-Poulenc Rorer	0	796,238
Inventory, net	812,325	510,256
Other current assets	218,829	283,172
Total current assets	13,010,156	4,704,138
Property and equipment, net	4,264,468	3,160,169
Pledged long-term marketable securities	1,461,857	1,417,544
Prepaid license fees	736,250	100,000
Goodwill	803,983	0
Other assets	211,487	213,441
	$20,488,201	$9,595,292
LIABILITIES & SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 320,236	$ 690,273
Other current liabilities	846,294	250,303
Deferred taxes	2,678	2,678
Advance from Rhone-Poulenc Rorer	0	1,500,000
Total current liabilities	1,169,208	2,443,254
Long-term debt	3,995,174	4,000,000
Total liabilities	5,164,382	6,443,254
Minority interest-Advanced Consumer Products	0	81,485
Shareholders' equity:		
Common stock and common stock warrants	44,643,490	30,484,478
Accumulated deficit	(29,319,671)	(27,413,925)
Total shareholders' equity	15,323,819	3,070,553
	$20,488,201	$9,595,292

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	3 Months Ended March 31, 1992	3 Months Ended March 31, 1991
Product sales	$ 254,158	$ 150,026
Supply contracts	343,326	110,363
Licensing agreements	95,000	135,000
Total revenues	692,484	395,389
Cost of sales	668,943	403,033
Gross profit	23,541	(7,644)
Research & development	957,354	603,398
Selling and marketing	183,073	140,099
Advertising and promotion	149,561	0
General & administration	769,330	407,350
Total operating expenses	2,059,318	1,150,847
Minority interest	44,740	0
Interest income	122,035	103,880
Interest expense	(75,570)	(76,767)
Loss before taxes	$(1,944,572)	$(1,131,378)
Taxes	(38,826)	5,300
Net loss	$(1,905,746)	$(1,136,678)
Loss per common share	$(0.17)	$(0.12)
Weighted average common shares outstanding	11,185,665	9,708,923

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
for three month March 31, 1992 and 1991
(Unaudited)

	3 Months Ended March 31, 1992	3 Months Ended March 31, 1991
Cash flows from operating activities:		
Net loss	$ (1,905,746)	$(1,136,678)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	194,274	196,198
Charge for purchase of R&D in process	106,636	0
Provision for losses on accounts receivable	(40,000)	(20,000)
Changes in operating assets and liabilities:		
Accounts receivable	(233,529)	107,431
Accounts receivable from RPR	796,238	50,604
Inventory	(302,070)	121,502
Prepaid license fees	(636,250)	0
Other assets	60,918	69,163
Current liabilities	(274,046)	(196,167)
Total adjustments	(327,829)	328,731
Net cash from operating activities	(2,233,575)	(807,947)
Cash flows from investing activities:		
Purchase of fixed assets	(66,214)	(15,723)
Loss on disposal of fixed assets, net	3,267	4,927
Change in marketable securities	(5,314,608)	1,447,161
Accretion of long-term marketable securities	(44,313)	(25,034)
Minority interest - Advanced Consumer Products	(44,740)	0
Repayment of long-term debt	(4,826)	0
Net cash provided from investing activities	(5,471,434)	1,411,331
Cash flows from financing activities:		
Proceeds from the exercise of common stock options, net of shares retired	334,547	6,750
Private placement	8,646,855	0
Restructuring of Rhone-Poulenc Rorer agreement	2,000,000	0
Net cash provided from financing activities	10,981,402	6,750
Net increase in cash and cash equivalents	3,276,393	610,134
Cash and cash equivalents, beginning of the period	1,572,396	1,744,734
Cash and cash equivalents, end of the period	$4,848,789	$2,354,868

See accompanying notes.

ADVANCED POLYMER SYSTEMS, INC.
Notes to Condensed Consolidated Financial Statements
March 31, 1992 and 1991
(Unaudited)

(1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position as of March 31, 1992, and the results of operations and changes in cash for the three months ended March 31, 1992 and 1991.

These condensed consolidated statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 1991, 1990, and 1989, which are included as part of the Company's 1991 Annual Report to stockholders and Annual Report on Form 10-K.

Although the nature of the business is not seasonal, the results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

The consolidated financial statements include the financial statements of the Company (APS) and its subsidiaries, Advanced Consumer Products Inc., and APS Joint Venture Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made to the prior year financial statements to conform with the presentation in 1992.

(2) PROPERTY AND EQUIPMENT

Details of the Company's property and equipment are as follows:

	March 31, 1992	December 31, 1991
Leasehold improvements	$ 462,748	$ 462,748
Furniture and equipment	6,260,233	6,210,034
Building	1,789,814	759,569
Land and improvements	363,519	163,519
	$8,876,314	$7,595,870
Accumulated depreciation	(4,611,846)	(4,435,701)
	$4,264,468	$3,160,169

(3) COMMON SHARES OUTSTANDING AND PER SHARE INFORMATION

Common stock outstanding as of March 31, 1992 is as follows:

	Number of Shares
Common stock outstanding as of December 31, 1991	9,998,531
Options exercised after December 31, 1991	100,553
Shares retired to exercise options	(4,850)
Shares issued in conjunction with:	
Private placement	1,150,000
Restructuring of Rhone-Poulenc Rorer agreement	705,041
Acquisition of the minority interest in Advanced Consumer Products	157,894
TOTAL SHARES	12,107,169

Per share information is based on the weighted average of common stock outstanding, as so adjusted during each of the periods. Stock options and warrants (common stock equivalents) are not included in the calculations as their inclusion would be anti-dilutive.

(4) RHONE-POULENC RORER

In May 1989, APS established a wholly-owned subsidiary, APS Joint Venture Corp. ("APS JV"), which entered into a series of agreements with Rhone-Poulenc Rorer ("RPR") and certain of its affiliates for the development, manufacture and marketing of products in the ethical dermatology field. Under the agreements, a general partnership was established and RPR committed to fund, as needed, as permanently invested capital, product development efforts and the costs of a melanin production facility up to a total of $5,750,000. Expenditures in excess of the agreed upon permanent capital contribution would continue to be funded by RPR, with APS JV to reimburse its share of such excess from a portion of any future cash flows of the partnership. The partnership initially focused its efforts on Melanosponge®, unique sun protection products that use genetically-engineered melanin entrapped in Microsponge® delivery systems, and began development of several other dermatological applications.

APS contributed license rights to certain patents to the partnership which had a zero book value. No other capital contributions were made by APS. Since APS carried its investment in the joint venture at zero and was not required to make future cash contributions, the Company did not recognize losses attributable to its 50% equity position in the partnership.

In March, 1992, APS and RPR restructured their agreements. Under the new arrangement, RPR conveyed to the Company its entire interest in the partnership (on which it had expended approximately $4,562,000), invested $2.0 million in cash for APS common stock, and relieved APS of its obligation to repay $1.5 million it advanced the Company in 1991. As part of the transaction, APS gained ownership of the manufacturing facility under construction by the partnership and funded by RPR. In return, RPR received 705,041 shares of unregistered (subject to certain registration rights) and restricted APS common stock and a 30 day warrant to purchase up to an additional 1,000,000 shares at $9.50 per share, which was not exercised. RPR is continuing to fund the development of three dermatology products under the revised agreements, to which APS shares marketing rights, while all other rights in ethical dermatology, including all ownership rights to the use of the Melanosponge system revert to APS. RPR will continue to share in a portion of the future profits of sales from Melanosponge systems as presently formulated.

In 1992, through the date of the restructuring of the partnership agreements, the Company has billed RPR $90,000 for research and development expenses incurred in conjunction with partnership projects. All outstanding receivables were paid by RPR in March 1992.

(5) ADVANCED CONSUMER PRODUCTS

In 1991, APS incorporated Advanced Premier Products (APP) to market products using APS' patented Microsponge delivery systems in eight specific over-the-counter skin care fields. APP was owned 75% by APS and 25% by Premier, Inc., a marketing company. In February, 1992, APS acquired the outstanding 25% minority interest in APP for 157,894 shares of common stock, 78,947 of which were issued to John J. Meakem Jr., the President and Chief Executive Officer of APS and Chairman of Premier, Inc.. The acquisition of Premier's minority interest resulted in APS recording of $803,983 of goodwill. The name of the subsidiary was changed to Advanced Consumer Products ("ACP"). Premier will continue to direct the marketing and sales activities of ACP, under a newly executed agreement.

In June 1991, a non-refundable payment of $1 million was received by ACP from Johnson & Johnson Consumer Products, Inc. ("J&J CPI"). In return, J&J CPI has rights to purchase product lines or lines of business from ACP in the fourth and sixth year after product introduction for a predetermined multiple of sales.

Commercial sales of ACP's first product, EveryStep™, a daily use, odor-fighting foot powder containing Microsponge entrapments, began in the first quarter of 1992. Net sales for the period were $66,000.

(6) DOW CORNING

In July, 1991, APS and Dow Corning Corporation formed a collaborative alliance to manufacture and sell both APS' Microsponge and Dow Corning's Polytrap® technologies worldwide in the cosmetics and toiletries field. The arrangement provides that the current APS Microsponge and the Dow Corning Polytrap cosmetic and toiletry sales are to be included in the alliance.

APS is contributing its technology, research and development, technical support, and manufacturing capability and capacity for both the Microsponge and Polytrap products. Dow Corning has advanced APS $1 million and is supplying sales coverage and world-wide marketing support with its 60 person sales force. Dow Corning and APS share the gross profits of the venture equally. Revenues for the first quarter of 1992 totaled $77,000.

(7) PRIVATE PLACEMENT

In February, 1992, APS raised $8,658,000 net of offering costs, through a private placement and sale of 1,150,000 units of one share of common stock and one warrant to purchase common stock. The placement agent received 11,500 warrants in the transaction. The 1,161,500 warrants are exercisable for three years at $8.80 per share. The shares offered are not registered under the SEC Act of 1933. However, APS is obligated to register the shares after a request is received by 10% or more of the holders of the units, at any time after 180 days after closing.

(8) JOHNSON & JOHNSON INVESTMENT AND LICENSE AGREEMENTS

In May, 1992, the Company announced a licensing agreement with Ortho Pharmaceutical Corporation, a subsidiary of Johnson & Johnson Inc., for retinoid-based products incorporating APS' patented Microsponge delivery system. As part of the agreement, Johnson & Johnson purchased $4 million of newly issued APS common stock - 354,767 shares at a price of $11.275 per share - and Ortho paid a license fee of $2 million to APS. Subject to certain conditions, Ortho will make an additional license payment of $4 million and Johnson & Johnson will purchase an additional $4 million of APS common stock in September 1992. Ortho is also obligated to pay to APS an additional substantial amount on achievement of specified milestones.

The license agreement provides Ortho with exclusive distribution or license rights for certain retinoid products utilizing the APS Microsponge system. Ortho currently markets Retin-A™ - in which the active ingredient is Tretinoin - for the treatment of acne. Ortho may elect to terminate the license agreement at any time prior to September, 1992, and thereafter on one year's notice. In that event, no further license fees or milestone payments would be payable by Ortho, and all amounts paid to APS to that point would be non-refundable.

Under the license agreement, APS will receive a royalty on net sales of all Ortho's retinoid products that incorporate APS's Microsponge technology. Ortho's exclusivity will continue as long as certain annual minimum royalty payments are made. In addition, Ortho will pay license fees and milestone payments referred to above over time to APS, triggered by specified achievements for two Tretinoin-based products including the acne product already under development. The milestone achievements include the filing and completion of NDAs for both products.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollar amounts are rounded to nearest $1,000)

Results of Operations for the three months ended March 31, 1992 and 1991

Total revenues of $693,000 for the three months ended March 31, 1992, increased 75% from the comparable period of the prior year. Analytical Standards sales increased 25% to $188,000 and supply contract sales of $343,000 were up 211% due to production for Lancaster Group AG and Dow Corning Corporation. Licensing revenues of $95,000 declined from $135,000 in the prior year due to the planned reductions in fees from certain licensing agreements and the reacquisition by the Company of product rights from its licensees in fields where no active research was being performed. EveryStep™ foot powder was introduced during this quarter with total net sales of $66,000.

Cost of sales for the quarter of $669,000 was 66% more than the prior year, primarily due to an increase in Analytical Standard sales, costs of polymer supplied to Dow Corning Corporation and Lancaster Group AG, and costs associated with the sales of EveryStep foot powder. Cost of sales also included overhead costs of the Company's production facility in Lafayette, Louisiana.

Research and development expenses increased $354,000 (59%) from the comparable period of the prior year due to the one-time charge of $107,000 for research and development projects in process acquired through the purchase of the minority interest in Advanced Consumer Products, and costs of clinical studies associated with the new drug applications for Company's proprietary products.

Selling and marketing expenses increased $43,000 (31%) from the comparable period of the prior year due to one additional salesperson in the Analytical Sales department and higher analytical standard sales, and expenses associated with the introduction of EveryStep foot powder.

Advertising and promotion expenses were incurred in conjunction with the introduction of EveryStep foot powder.

General and administration expenses increased $362,000 (89%) primarily due to legal fees incurred during litigation of the Patterson trial, and fees paid to Premier, Inc. for the management of the Company's Advanced Consumer Products subsidiary.

Interest income increased $18,000 (18%) from the comparable period in the prior year because of higher cash equivalents balances in 1992.

The net loss of $1,906,000 for the quarter ($0.17 per share) was 68% greater than the $1,137,000 loss ($0.12 per share) in the first quarter of 1991. The Company expects that operating losses will continue as it funds clinical studies for its proprietary products and until it realizes large-scale commercialization of licensed or proprietary products by the Company and its clients.

It is anticipated that operating results will fluctuate on a quarterly basis due to the timing of the fulfillment of supply contracts, realization of milestone payments based on the achievement of specific events, the addition or termination of research and development agreements and variations in the level of expenditures relating to research and development of the Company's proprietary products.

Liquidity and Capital Resources

The Company continues to finance its operations from funds on hand, sales of the Company's own consumer products, sales of polymer products under supply contracts, revenues from Analytical Standard product sales, interest earned on short-term investments, sales of equity securities and payments received under licensing and research agreements.

On March 31, 1992, the Company had $11,371,000 in cash, cash equivalents and short-term marketable securities. Included in this amount are $8,658,000 received in February, 1992 from the private placement and $2,000,000 received in March, 1992 as part of the restructuring of the RPR agreement. The $2 million licensing payment by Ortho Pharmaceutical Corporation and the $4 million equity investment by Johnson & Johnson received in May, 1992, are not included in the cash balances as of March 31, 1992.

Based on the Company's current plan of operations, the existing cash, cash equivalents and short-term marketable securities balances, together with funds generated from operations and the sale of equity securities, are expected to be sufficient to meet the Company's cash requirements.

The Company's cash reserves are invested in short-term high-grade investments and will continue to be used as needed for research on new applications and systems, product development including clinical testing of completed products, manufacturing and marketing of proprietary formulations and for general corporate purposes.

PART II.

Item 1. Legal Proceedings

In January, 1984, the Company converted a prior royalty-bearing agreement with James A. Patterson, a founder, shareholder and former employee of APS, who then owned approximately 21% of the Company's stock, into an agreement to acquire his inventory of Analytical Standards chemical concentrates and the related patent rights in exchange for a maximum of 140,000 shares of APS common stock to be issued over a period of five years, based on the level of Analytical Standards sales achieved in each of the five years. During the years ended December 31, 1988, 1987 and 1986, APS did not achieve the Analytical Standard sales levels required by the agreement to issue shares of common stock to the stockholder. In 1985, 14,000 shares were issued under the agreement. No other shares were issued under the agreement.

On January 18, 1989, Patterson filed a lawsuit against the Company alleging breach of the 1984 agreement. The suit was filed in the State of Florida Circuit Court and seeks recission of the 1984 agreement or damages in an unspecified amount. Trial of this action took place in January, 1992, but no decision has yet been rendered.

In July 1991, Patterson filed a second lawsuit against the Company in the United States District Court, Middle District of Florida. A former director and an employee of the Company were also named as defendants. In his complaint, Patterson claims that among other things, he was fraudulently induced to enter into an employment agreement with the Company as part of a conspiracy to steal a cosmetic invention for which he had applied for a patent. The employment agreement was part of a series of transactions under which Patterson sold to the former director his rights in the cosmetic invention patent application. Patterson also claims that inventorship of the process which was the subject of the patent application was claimed by the Company's employee in his subsequent patent application, instead of reflecting Patterson as the inventor or a co-inventor. Compensatory damages in excess of $50,000 and punitive damages of $20,000,000 are claimed.

The agreement in question contains an arbitration clause, and the Company has invoked that provision and referred the dispute to the American Arbitration Association, but it is uncertain whether the matter will proceed by court action or arbitration. The Company has denied liability and is defending the claims. Various affirmative defenses have been raised, including defenses based on the statute of limitations and on a release given by Patterson. In addition, the Company is not aware of any facts which would support an award of punitive damages. The Company does not believe that this lawsuit will have a material impact on either the operations or financial condition of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K. During the quarter ended March 31, 1992, no reports on Form 8-K have been filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ADVANCED POLYMER SYSTEMS, INC.

Date: 5/13/92

By:
John J. Meakem, Jr.
President and Chief Executive Officer

Date: 5/13/92

By:
Bennet L. Weintraub
Controller

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD
MAY 15 1992

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

Commission file number 0-13976

AKORN, INC.
(Exact name of registrant as specified in its character)

Louisiana	72-0717400
(State of incorporation)	(I.R.S. Employer Identification No.)

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MAY 18 1992
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Q-Data Corp. - St. Petersburg, FL

100 Akorn Drive, Abita Springs, Louisiana 70420
(Address of principal executive offices)

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Registrant's telephone number, including area code: (504)893-9300

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 11, 1992
Common stock, no par value	12,696,421

Total of sequentially numbered pages 17.
Index begins on sequential page N/A.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

The following financial statements are provided on the page numbers indicated below:

Condensed Consolidated Balance Sheets - March 31, 1992 and June 30, 1991 2

Condensed Consolidated Statements of Operations - Three months and nine months ended March 31, 1992 and 1991 4

Consolidated Statements of Shareholders' Equity - Nine months ended March 31, 1992 and 1991 5

Condensed Consolidated Statements of Cash Flows - Nine months ended March 31, 1992 and 1991 7

Notes to Condensed Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information called for by this item is provided on page 12

AKORN, INC.

CONDENSED CONSOLIDATED BALANCED SHEETS

	March 31, 1992 (unaudited)	June 30, 1991* (as restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,227,114	$ 1,231,790
Short-term investments		916,497
Accounts receivable (less allowance for bad debts of $518,479 and $489,965 at March 31 and June 30, respectively)	1,922,922	2,296,214
Inventory	3,210,530	2,128,113
Refundable income taxes	1,365,225	3,340,964
Prepaid expenses & other assets	236,573	297,977
TOTAL CURRENT ASSETS	9,962,364	10,211,555
OTHER ASSETS		
Investment in annuity and life insurance contracts	39,462	794,508
Long-term investments	350,000	1,457,745
Intangible Assets	124,202	201,421
Other	36,096	581,095
	549,760	3,034,769
PROPERTY, PLANT AND EQUIPMENT	9,623,555	9,663,832
Accumulated depreciation	(4,842,437)	(4,517,341)
	4,781,118	5,146,491
TOTAL ASSETS	$15,293,242	$18,392,815

	March 31, 1992 (unaudited)	June 30, 1991* (as restated)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of long-term debt	$ 76,387	$ 1,881,066
Current installments of stockholder notes payable		766,400
Short-term note payable	1,500,000	
Accounts payable	2,232,220	1,023,360
Accrued product recall expenses	2,265,426	489,348
Accrued litigation judgment	2,081,900	
Accrued expenses and other liabilities	2,710,200	2,145,511
TOTAL CURRENT LIABILITIES	10,875,133	6,305,685
DEFERRED INCOME TAXES PAYABLE		514,571
LONG-TERM DEBT	958,621	986,498
SHAREHOLDERS' EQUITY		
Common stock, no par value--authorized 20,000,000 shares; issued 13,115,673 and 12,865,673 shares at March 31 and June 30, respectively; outstanding 12,695,421 and 12,430,561 shares at March 31 and June 30, respectively	10,701,845	9,826,845
Treasury stock, at cost--420,252 and 435,112 shares at March 31 and June 30, respectively	(807,433)	(834,696)
Retained earnings (deficit)	(6,434,924)	1,593,912
TOTAL SHAREHOLDERS' EQUITY	3,459,488	10,586,061
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$15,293,242	$18,392,815

*Condensed from audited consolidated financial statements as restated for acquisition of Taylor Pharmacal Company (see Note D).

See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three months ended March 31,		Nine months ended March 31,	
	1992	1991 (as restated)	1992	1991 (as restated)
Net Sales	$ 4,569,361	$ 4,551,267	$13,136,567	$14,035,246
Cost of sales	2,929,706	2,752,754	8,568,508	8,378,626
GROSS PROFIT	1,639,655	1,798,513	4,568,059	5,656,620
Selling, general and administrative expenses	1,213,810	1,287,610	4,210,339	3,951,109
Other operating expenses	150,205	275,921	400,181	788,143
Cost to reorganize manufacturing operations	5,302,408		5,302,408	
Finder's fee and other acquisition costs	1,314,614		1,314,614	
Provision for litigation judgment	236,900		2,081,900	
	8,217,937	1,563,531	13,309,442	4,739,252
NET OPERATING INCOME (LOSS)	(6,578,282)	234,982	(8,741,383)	917,368
Interest expense	(58,173)	(89,805)	(220,782)	(296,281)
Interest and other income	51,746	112,598	125,288	170,304
	(6,427)	22,793	(95,494)	(125,977)
INCOME (LOSS) BEFORE TAXES	(6,584,709)	257,775	(8,836,877)	791,391
Income taxes (benefit)	(735,438)	204,701	(804,583)	497,682
NET INCOME (LOSS)	$(5,849,271)	$ 53,074	$(8,032,294)	$ 293,709
Per Share:				
NET INCOME (LOSS)	$ (.42)	$ .00	$ (.59)	$ .02
DIVIDENDS DECLARED	$ -	$ .03	$ -	$ .06

See notes to condensed consolidated financial statements.

AKORN, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS'S EQUITY

(UNAUDITED)

	Common Stock	
	Shares Outstanding	Amount
Nine Months Ended March 31, 1992:		
Balances at July 1, 1991 (as restated)	12,430,561	$ 9,826,845
Net loss for the nine months ended March 31		
Shares issued from treasury in connection with the Company's Employee Stock Purchase Plan	4,860	
Exercise of stock options	10,000	
Shares issued as finder's fee for Taylor acquisition	250,000	875,000
Balances at March 31, 1992	12,695,421	$ 10,701,845
Nine Months Ended March 31, 1991: (as restated)		
Balances at July 1, 1990	12,124,036	$ 9,469,107
Net income for the nine months ended March 31		
Shares issued from treasury in connection with the purchase of Opto-Pharm	200,000	
Common Stock acquired and retired	(1,000,000)	(1,510,500)
Common Stock issued for cash	1,000,000	1,489,500
Shares issued from treasury in connection with the Company's Employee Stock Purchase Plan	3,352	
Issuance of common stock		120,000
Dividends declared--$.034 per share		
Balances at March 31, 1991	12,327,388	$ 9,568,107

Retained Earnings	Treasury Stock	Total
$ 1,593,912	$ (834,696)	$10,586,061
(8,032,294)		(8,032,294)
3,509	7,812	11,321
(51)	19,451	19,400
		875,000
$(6,434,924)	$ (807,433)	$ 3,459,488
$ 7,522,923	$(1,224,513)	$15,767,517
293,709		293,709
(54,451)	396,556	342,105
		(1,510,500)
		1,489,500
(2,341)	10,086	7,745
		120,000
(772,489)		(772,489)
$ 6,987,351	$ (817,871)	$15,737,587

See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991 (as restated)
OPERATING ACTIVITIES		
Net income (loss)	$(8,032,294)	$ 293,709
Adjustments to reconcile net income (loss) to net cash provided by operating activities, net of effects from purchase of Opto-Pharm in 1990	8,855,738	1,071,364
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	823,444	1,365,073
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(547,914)	(394,136)
Acquisition of veterinary product line		(200,000)
Purchase of Opto-Pharm, net of cash acquired		31,498
Net sales (purchases) of investments	2,818,750	(629,425)
Other		(18,953)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,270,836	(1,211,016)
FINANCING ACTIVITIES		
Proceeds from issuance of short-term note payable	1,500,000	
Payment on short-term note		(250,000)
Net repayments of long-term debt	(2,598,956)	(82,778)
Proceeds from stock issuance		120,000
Acquisition of treasury stock		(1,510,500)
Proceeds from sale of stock		1,489,500
Dividends paid		(576,295)
NET CASH USED BY FINANCING ACTIVITIES	(1,098,956)	(810,073)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,995,324	(656,016)
Cash and cash equivalents at beginning of period	1,231,790	2,024,155
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,227,114	$1,368,139
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 337,495	$ 247,628
Cash paid during the period for income taxes	-	416,000

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Akorn, Inc. (the "Company") and its wholly-owned subsidiaries, Spectrum Scientific Pharmaceuticals, Inc. ("Spectrum"), Walnut Pharmaceuticals, Inc. ("Walnut") and Taylor Pharmacal Company ("Taylor"). Intercompany transactions and balances have been eliminated in consolidation.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and nine month periods ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending June 30, 1992. For further information, refer to the consolidated financial statements and footnotes for the year ended June 30, 1991, included in the Company's Annual Report to Shareholders.

NOTE B - EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of common shares outstanding. The computation of the weighted average number of shares outstanding includes the dilutive effect of stock options and warrants. The weighted average number of shares outstanding used in the per share computations were 13,919,945 shares and 13,015,354 shares for the three months ended March 31, 1992, and 1991, respectively, and 13,647,181 shares and 12,656,747 shares for the nine months ended March 31, 1992 and 1991, respectively.

NOTE C - REORGANIZATION OF MANUFACTURING OPERATIONS

For the fiscal year ended June 30, 1991, the Company had recorded expenses associated with the reorganization of its manufacturing operations, including the costs of discontinuing operations at Walnut, its manufacturing subsidiary and estimated costs of product recalls then in progress. Since that time the Company has been in discussions with the United States Food and Drug Administration ("FDA") regarding the closure of the facility and a review of manufacturing practices which existed at the facility during its operations. As a result of further reviews by Company personnel, consultants and the FDA, the Company has recorded a change in its estimated costs of closure of the facility and costs of product recalls in the three month period ended March 31, 1992. These changes in estimated costs of approximately $3.9 million ($.28 per share) include additional estimated recall costs ($2.0 million), additional write downs of property, plant and equipment and inventories ($1.1 million), and additional estimated costs of closing the facility ($700,000). The additional estimated recall costs should be sufficient to absorb cost of recalls in progress and of all product previously produced by Walnut which presently remains in the field, should it become necessary. These changes in estimates are included in the costs of reorganizing manufacturing operations for the three months ended March 31, 1992. In addition, approximately $200,000 of costs incurred in the six month period ended December 31, 1991 were reclassified to costs of reorganizing manufacturing operations.

In January, 1992 the Company acquired Taylor Pharmacal Company, a Decatur, Illinois contract manufacturer of sterile pharmaceuticals (see Note D). Akorn plans to transfer the manufacture of its products to Taylor, while continuing the contract manufacturing operations now conducted there. Akorn began to phase in the manufacture of its product line into the Taylor operations beginning in February, 1992. Those Akorn products which do not require prior approval by the FDA could begin to be manufactured and distributed at the acquired facilities beginning in the first quarter of fiscal 1993. Manufacturing of existing products for which Akorn holds Abbreviated New Drug Application approvals could not begin at the Taylor facilities until Akorn obtains FDA approval. This approval process, which is currently in process, will require significant time and effort. With a new facility in place to transfer the approvals, the Company has estimated the cost of transferring the approvals to the Taylor facility to be approximately $1.3 million. This estimate is included in the cost of reorganizing manufacturing operations for the three months ended March 31, 1992.

NOTE D - ACQUISITION OF TAYLOR PHARMACAL COMPANY

On January 15, 1992, the Company acquired Taylor Pharmacal, Inc. in a business combination accounted for as a pooling-of-interests. Taylor is a contract manufacturer of sterile pharmaceuticals, which it produces and delivers pursuant to contracts with third parties. Pursuant to the merger agreement, the Company delivered 926,753 shares of its common stock to the Taylor shareholders in exchange for all of the outstanding stock of Taylor. Of the shares issued in the merger agreement, 922,500 shares have been held in escrow pending the settlement of a default judgement against Taylor entered on December 8, 1991 in the amount of $1,881,900, including interest accrued through March 31, 1992 (see Note H). To the extent that Taylor succeeds in having this judgement vacated or in obtaining reimbursement of Taylor's expenses related to this judgement, Taylor shareholders will receive shares of Akorn common stock, currently held in escrow, up to the maximum amount of shares allowed.

The Company's financial statements as contained herein have been restated to include the results of Taylor for all periods presented. Combined and separate results of Akorn and Taylor are as follows (in thousands):

	Akorn	Taylor	Adjustments	Combined
Three months ended March 31, 1992 (unaudited):				
Net sales	$ 3,275	$ 1,294	$ -	$ 4,569
Net income (loss)	(5,683)	(166)	-	(5,849)
Three months ended March 31, 1991 (unaudited):				
Net sales	$ 3,916	$ 635	$ -	$ 4,551
Net income	301	(269)	21	53
Nine months ended March 31, 1992 (unaudited):				
Net sales	$ 9,623	$ 3,514	$ -	$13,137
Net income (loss)	(5,805)	(2,227)	-	(8,032)
Nine months ended March 31, 1991 (unaudited):				
Net sales	$11,712	$ 2,323	$ -	$14,035
Net income	820	(590)	64	294

The financial information presented above contains adjustments to reflect the restatement of Taylor's depreciation amounts from an accelerated method to the straight-line method.

NOTE E - ACQUISITION OF OPTOMETRIC PHARMACEUTICALS, INC.

Effective July 1, 1990, Spectrum signed an Asset Purchase Agreement to acquire certain assets and liabilities of Optometric Pharmaceuticals, Inc. ("Opto-Pharm"). Opto-Pharm, based in Tennessee, was a mail-order distributor of ophthalmic products. The acquired operations of Opto-Pharm were merged into Spectrum's operations subsequent to the acquisition.

The total cost of the acquisition was $355,526, (including 200,000 shares of Akorn, Inc. Common Stock at $1.63 per share).

NOTE F - INVENTORIES

The components of inventory are as follows:

	March 31, 1992	June 30, 1991
Finished Goods	$ 2,540,522	$ 1,759,287
Work in process	368,185	138,753
Raw Materials and Supplies	301,823	220,073
	$ 3,210,530	$ 2,128,113

The inventories are reported net of reserves for unsaleable items of $3,126,305 and $2,914,829 as of March 31, 1992 and June 30, 1991, respectively.

NOTE G - CURRENT AND LONG-TERM DEBT

As part of the acquisition of Taylor on January 15, 1992, the Company retired or paid down several Taylor debts. These included the paydown of $1.5 million to the First National Bank of Decatur, payment in full of approximately $200,000 to the Illinois Department of Commerce and Community Affairs and payment in full of approximately $1.1 million of debt to Taylor shareholders, including interest accrued thereon. These payments were made from the Company's cash reserves and a borrowing of $1.5 million from Hibernia National Bank under a short-term note due December 31, 1992. This note is collateralized by the Company's accounts receivables and inventories. The note bears an interest rate of Citibank prime payable monthly with no principal payments due until maturity.

As a result of the non-recurring charges recorded in the third quarter of fiscal 1992, the Company is currently and is expected to be in default of several of the financial loan covenants contained in the Hibernia loan agreement. These include a minimum net worth requirement of $9.7 million, net income of at least $1 for the fiscal year ended June 30, 1992 and for each of the subsequent two quarters of fiscal 1993, and a minimum current ratio of 2.0 to 1.0. In addition, Hibernia National Bank has advised the Company of the occurrence of an event of default, but has taken no steps to enforce its remedies under the loan agreement. The Company is current with regard to all debt service payments through the date of this report. The Company is currently seeking alternate financing and intends to pay out the Hibernia loan prior to its maturity.

NOTE H - LITIGATION

On November 8, 1991, a default judgment was entered against Taylor in El Paso County, Colorado for approximately $1.8 million, including accrued interest of $685,000, in a product liability suit that had been pending since October, 1985. The suit relates to events which occurred in 1983. Taylor has petitioned to have the judgment vacated on grounds, among others, that it did not receive proper notice of the original suit or of the default judgment and that it did not manufacture any product that was administered to the plaintiff. No showing of any improper actions on Taylor's part has been made, and the case had not gone to trial before entry of the judgment by default.

The Company intends to defend this judgment vigorously and is seeking recovery of any losses incurred from Taylor's product liability carrier, the carrier's legal counsel, and also under an indemnification agreement with the pharmaceutical company for which a product named in the suit was manufactured. Taylor's product liability carrier, while reserving its rights with respect to coverage issues, has agreed to pay Taylor's attorney's fees related to the petition to vacate the judgment. As described in Note D, any losses that may result, should the Company be unsuccessful in defending this judgment, would result in the reduction of shares issued pursuant to the acquisition of Taylor. Interest at an annual rate of 8 percent continues to accrue until settlement of the default judgment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales were relatively unchanged in the quarter ended March 31, 1992 compared to the same period in 1991. For the first nine months of fiscal year 1992, net sales were 6% lower than the same period in fiscal 1991. The sales for the quarter and nine months ended March 31, 1992 do not include any sales for Walnut Pharmaceuticals, Inc. ("Walnut") the Company's manufacturing subsidiary, the operations of which were discontinued in September 1991. Walnut had sales of $347,000 and $1,052,000 in the quarter and nine months ended March 31, 1991, respectively, net of intercompany eliminations. In addition, the Walnut closure created a shortage of approximately 40% of the Company's product for most of the first quarter of fiscal 1992. Alternate sources of supply were obtained for many products during the second quarter of fiscal 1992; however, products which accounted for approximately $1.2 million in sales during fiscal year 1991 remain without a source of supply. Demand for the remainder of the Company's product line remains strong. The Company has been successful in providing alternative products to customers in order to fill some of the demand for those products with no current source of supply.

Gross Profit

Consolidated gross profit declined by 9% to $1.6 million in the quarter ended March 31, 1992, compared to the same period of the previous year. For the first nine months of the current fiscal year, gross profit decreased 19% to $4.6 million compared to the same period in 1991. The difference between the rates of decline in net sales and gross profit is primarily due to higher costs for products previously produced by Walnut which the Company continued to supply to its customers through alternate sources. The consolidated gross profit percentages (gross margin) for the quarter ended March 31, 1992 and 1991 were 35.9% and 39.5%, respectively. For the first nine months of fiscal 1992 and 1991 the gross margin was 34.8% and 40.3%, respectively. The Company expects that consolidated gross margins will continue to be depressed, in the short-term, due to the higher acquisition costs of its products. However, measures were implemented during the quarter ended March 31, 1992 to help stabilize the impact of these cost increases.

Operating Expenses

Operating expenses, exclusive of various one time charges discussed below, declined 13% during the quarter ended March 31, 1992, a decline of $199,000 from the comparable quarter of the previous year. For the first nine months of fiscal 1992, operating expenses were 3%, or $129,000 lower than the same period in fiscal 1991. The primary factors contributing to these declines was the absence of operating costs for Walnut, which totalled $190,000 and $521,000 in the three month and nine month periods ended March 31, 1991, respectively. Amortization expenses also declined by $78,000 and $201,000 in the three month and nine month periods ended March 31, 1992 due to the write down of most amortizable assets in the Walnut closure.

The decline in Walnut operating expenses and amortization expense for the nine months ended March 31, 1992 were offset by increases in expenses related to the expansion of the Company's sales and marketing effort and development of the Company's executive management team. Costs associated with these areas include salaries, taxes, benefits, travel expenses and advertising costs which increased $489,000 for the nine month period ended March 31, 1992 compared to the comparable period in 1991. Although expansion of the Company's sales force continues and the Company has increased its advertising expenditures for the introduction of new products, increases in these areas for the three months ended March 31, 1992 were offset by declines in legal fees and director fees.

Non-recurring Charges

In the quarter ended March 31, 1992, the Company recorded several unusual or non-recurring charges related to the reorganization of its manufacturing operations. The first of the charges (as described in Note C) relates to the closure of Walnut, the Company's manufacturing facility. These costs totalling $5.3 million included additional reserves for product recalls, write-down of property, plant, equipment and inventory, and accruals for the estimated cost of closing the facility and transferring its product approvals to the newly acquired Taylor Pharmacal Company ("Taylor") facility. Of the amount included in the third quarter charge, approximately $200,000 represents a reclassification for expenses incurred in the first six months of fiscal 1992.

The Company also recorded the Taylor acquisition costs of $1.3 million in the quarter ended March 31, 1992. The major component of these costs is 250,000 shares of Company common stock valued at $875,000 issued to an affiliate of John N. Kapoor, the Company's Chairman, as a finder's fee for the acquisition. Of the shares issued, 125,000 shares are forfeitable should the reported market price of the Company common stock not exceed $5 per share prior to January 15, 1996.

The Company recorded an additional $236,000 provision during the three month period ended March 31, 1992 related to the default judgement entered against Taylor (as described further in Note H). Taylor had previously recorded a $1.8 million provision as of December 31, 1991 related to the default judgment. The provision in the quarter ended March 31, 1992 includes interest accrued during this period and a provision for estimated legal costs to defend Taylor.

The total of these charges, exclusive of the reclassification of certain costs described above, are $6.6 million and $8.5 million for the three month and nine month periods ended March 31, 1992.

Interest Expense and Other Income

Interest expense declined $32,000 or 35% in the three month period ended March 31, 1992, compared to the same period in 1991. For the first nine months of fiscal 1992 interest expense declined $75,000 or 25% when compared to the same period in fiscal 1991. These declines are primarily due to the net reduction of approximately $1.3 million of the Taylor debt in January, 1992.

Interest and other income declined $61,000 or 54% in the quarter ended March 31, 1992, compared to the same quarter in 1991. For the first nine months of fiscal 1992 interest and other income was $45,000 or 26% lower than the comparable period in fiscal 1991. These declines are primarily due to the recording of a $41,000 gain by Taylor related to the receipt of an insurance claim during the quarter ended March 31, 1991.

Income Taxes

The effective tax (benefit) rate for the quarter ended March 31, 1992 was (11.2)% compared to an effective tax rate of 79.4% for the comparable quarter in 1991. For the first nine months of fiscal 1992 the effective tax (benefit) rate was (9.1)%, compared to an effective tax rate of 62.9% for the same period of fiscal 1991. The benefit rate for the quarter and nine months ended March 31, 1992, only includes the effect of available net operating loss carrybacks and net operating loss carryforwards to the extent such carryforwards offset deferred income taxes payable. Pursuant to Statement of Financial Accounting Standards Number 109, which is not effective as yet for the Company, additional benefits attributable to net operating loss carryforwards may be recognizable. The Company has not yet completed its analysis of the effects of this statement. As of March 31, 1992, the Company has a net operating loss carryforward of approximately $4 million.

The effective tax rate for the three month and nine month periods ended March 31, 1991 exceed statutory rates since the operating losses of Taylor included in these periods do not reflect any income tax benefit given that Taylor was a Subchapter S corporation prior to its acquisition on January 15, 1992.

Net Loss

The net loss for the quarter and nine months ended March 31, 1992 resulted primarily from the recording of non-recurring charges related to the Walnut closure and the acquisition of Taylor as noted above. Exclusive of these non-recurring charges, the Company would have recognized net income of approximately $45,000 and a net loss of approximately $220,000 for the three month and nine month periods ended March 31, 1992, respectively. The reduction in earnings for the three month and nine month periods ended March 31, 1992, as compared to the same periods in 1991, are primarily due to reduced sales and increased costs of product sold, resulting from the Walnut closure.

FINANCIAL CONDITION AND LIQUIDITY

Working capital declined by $4.8 million to a negative $913,000 during the nine months ended March 31, 1992 when compared to the previous year end. This decline is primarily the result of the charges taken in the quarter ended March 31, 1992 for the reorganization of manufacturing operations and the Taylor acquisition. The Company has experienced an increase in cash and cash equivalents primarily due to income tax refunds received in the quarter ended March 31, 1992. This level of cash is not expected to be sufficient to fund operations beyond September 30, 1992 without additional working capital borrowings or the receipt of a significant portion of income taxes receivable from the fiscal 1992 tax return. In addition, the Company is currently in default of some of its loan covenants pertaining to its $1.5 million short-term loan due on December 31, 1992 (see Note G). Hibernia National Bank, the holder of the note, has advised the Company of the occurrence of an event of default, but has taken no steps to enforce its remedies under the loan agreement. The Company is seeking alternate financing to pay out this short-term loan and obtain the necessary level of working capital financing to fund operations beyond September 30, 1992. The Company and Hibernia National Bank, the holder of the $1.5 million note, are presently in discussions involving the Company's plans to retire the debt prior to its scheduled maturity.

PART II. OTHER INFORMATION

Item 3. Defaults Upon Senior Securities.

Information with respect to Registrant's default in its loan agreement with Hibernia National Bank is provided in Note G to Registrant's financial statements included in Part 1 of this report. Such information is incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

10.1 Loan Agreement dated as of January 10, 1992 between Akorn, Inc. and Hibernia National Bank, incorporated herein by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K dated January 15, 1992.

(b) Reports on Form 8-K.

The following is a list of reports on Form 8-K filed by Registrant during the quarter ended March 31, 1992, the items reported therein, and the financial statements filed therewith:

(1) Form 8-K dated January 15, 1992, as amended by Form 8 dated March 27, 1992.

Item 2. Acquisition or Disposition of Assets.

Item 7. Financial Statements and Exhibits.

The following financial statements of Taylor Pharmacal Company were filed as part of this report:

Independent Auditor's Report
Balance Sheet as of December 31, 1991
Statement of Operations for the six months ended December 31, 1991
Statement of Shareholders' Equity for the six months ended December 31, 1991
Statement of Cash Flows for the six months ended December 31, 1991
Notes to Financial Statements.

Independent Auditor's Report
Balance Sheets as of June 30, 1991 and 1990
Statements of Operations for the years ended June 30, 1991 and 1990
Statements of Shareholders' Equity for the years ended June 30, 1991 and 1990
Statements of Cash Flows for the years ended June 30, 1991 and 1990
Notes to Financial Statements

Pro Forma Condensed Balance Sheet (Unaudited) at December 31, 1991
ProForma Condensed Statements of Operations (Unaudited) for the six months ended December 31, 1991 and the years ended June 30, 1991 and 1990
Notes to Pro Forma Condensed combined Balance Sheet and Statements of Operations (Unaudited)

(2) Form 8-K dated March 12, 1992.

Item 5. Other Events

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AKORN, INC.

Barry D LeBlanc

Barry D. LeBlanc
President
(Duly Authorized Officer)

Eric M Wingerter

Eric M. Wingerter
Chief Financial Officer
(Principal Financial Officer)

Date: May 14, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

~~RECD S.E.C.~~
~~1992~~
~~132~~

Commission file number 1-7411

ALLCITY INSURANCE COMPANY
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-2530665
(I.R.S. Employer Identification No.)

122 Fifth Avenue New York, N.Y.
(Address of principal executive offices)

10011
(Zip Code)

PROCESSED BY
11-11 k.H
MAY 18 1992

(212) 387-3000
(Registrant's telephone number, including area code)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

NONE
(Former name, former address and former fiscal year, if changed since last report)

L3ec

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ______

APPLICABLE ONLY TO ISSUERS INVOLVED
IN BANKRUPTCY PROCEEDINGS DURING
THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ______ No ______

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 11, 1992.

Common Shares - $1.00 par value - 7,039,500 shares outstanding

ALLCITY INSURANCE COMPANY

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PART I - Financial Information

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CONSOLIDATED BALANCE SHEETS

ALLCITY INSURANCE COMPANY
(Thousands of dollars
except share amounts)

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Investments:		
Fixed maturities, at amortized cost (market value: $140,347 in 1992, $140,543 in 1991)	$139,912	$135,295
Equity securities at market (cost $12,757 in 1992 and 1991)	11,473	12,061
Short-term investments, at cost, which approximates market	17,684	15,583
TOTAL INVESTMENTS	169,069	162,939
Cash	1,721	2,227
Agents' balances less allowance for doubtful accounts ($946 in 1992, and $943 in 1991)	19,275	15,231
Accrued investment income	2,677	2,903
Reinsurance balances receivable	155	122
Equity in pools and associations	1,651	1,233
Deferred policy acquisition costs	8,206	6,940
Deferred tax benefit	3,690	3,523
Other assets	3,592	1,400
	$210,036	$196,518
LIABILITIES		
Unpaid losses	$ 76,501	$ 73,251
Unpaid loss adjustment expenses	11,311	10,927
Unearned premiums	40,220	33,698
Reinsurance balances payable	5,672	5,711
Accounts payable and accrued liabilities	2,456	2,217
Drafts payable	2,149	1,813
Due to affiliates	6,946	7,748
Other liabilities	6,204	5,042
Surplus note	11,646	11,513
	163,105	151,920
CAPITAL		
Common stock, par value $1.00: 7,368,420 shares authorized; 7,039,500 and 7,037,000 shares issued and outstanding in 1992 and 1991, respectively	7,039	7,037
Additional paid-in capital	9,311	9,310
Unrealized depreciation on equity securities	(1,284)	(696)
Retained earnings	31,865	28,947
	46,931	44,598
	$210,036	$196,518

See Notes to Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

ALLCITY INSURANCE COMPANY
(Thousands of dollars, except share and per share amounts)

	Three Months Ended March 31	
	1992	1991*
REVENUES		
Premiums earned	$17,088	$15,245
Net investment income less expenses of $79 in 1992 and $66 in 1991	3,058	2,826
Net realized gain on investments	1,400	70
Other income	70	31
	21,616	18,172
LOSSES AND EXPENSES		
Losses	11,567	10,181
Loss adjustment expenses	2,145	1,692
Other underwriting expenses less deferrals of $4,451 in 1992, $3,824 in 1991	892	1,643
Amortization of deferred policy acquisition costs	3,185	2,905
Interest on surplus note	133	175
	17,922	16,596
INCOME BEFORE FEDERAL INCOME TAXES	3,694	1,576
FEDERAL INCOME TAXES	776	734
NET INCOME	$ 2,918	$ 842
Per share data, based on 7,037,417 average Common Shares outstanding in 1992 and 7,020,000 in 1991 assuming no further dilution	$0.41	$0.12

*Reclassified for comparative purposes.

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

ALLCITY INSURANCE COMPANY
(Thousands of dollars)

	Three Months Ended March 31	
	1992	1991*
NET CASH PROVIDED OR (USED) BY OPERATING ACTIVITIES		
Net income	$ 2,918	$ 842
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in unpaid losses and loss adjustment expenses	3,634	2,114
Increase in unearned premiums	6,522	5,174
(Decrease) increase in reinsurance balances payable (net of balances receivable)	(72)	301
Increase in drafts payable	336	16
Increase in deferred policy acquisition costs	(1,266)	(919)
Increase in agents' balances	(4,044)	(3,533)
Net realized gain on investments	(1,400)	(70)
Amortization	201	308
Decrease in due to affiliates	(802)	(2,962)
Other items, net	(1,017)	568
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,010	1,839
NET CASH (USED) OR PROVIDED BY INVESTING ACTIVITIES		
Acquisition of fixed maturities	(50,383)	(12,046)
Proceeds from sale of fixed maturities	40,489	5,590
Proceeds from redemptions of fixed maturities	6,475	11
Net change in short-term investments	(2,101)	2,327
NET CASH USED BY INVESTING ACTIVITIES	(5,520)	(4,118)
NET CASH PROVIDED BY FINANCING ACTIVITIES		
Exercised stock options	4	
NET CASH PROVIDED BY FINANCING ACTIVITIES	4	
NET DECREASE IN CASH	(506)	(2,279)
Cash at beginning of year	2,227	4,668
CASH AT THE END OF PERIOD	$ 1,721	$ 2,389

See notes to financial statements.

*Reclassified for comparative purposes.

ALLCITY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. The unaudited interim financial statements, which reflect all adjustments (consisting only of normal recurring items) that management believes necessary to present fairly results of interim operations, should be read in conjunction with the Notes to Financial Statements included in the Company's audited consolidated financial statements for the year ended December 31, 1991, which are included in the Company's Annual Report filed on Form 10-K for such year (the "1991 10-K"). Results of operations for interim periods are not necessarily indicative of annual results of operations. The balance sheet at December 31, 1991 was extracted from the audited annual financial statements and does not include all disclosures required by generally accepted accounting principles for annual financial statements.

2. Claim liabilities (unpaid losses and unpaid loss adjustment expenses) are periodically reviewed. As adjustments of the estimates for such liabilities become necessary, adjustments are reflected in current operations. Liabilities for newly reported losses have generally been provided based upon averages for claims reported within the most recent 12 months; for other unpaid losses, case basis estimates and calculated estimates for incurred but not reported losses are used. Liabilities for unpaid losses are stated net of estimated salvage and subrogation.

3. Statement of Financial Accounting Standard No. 109, " Accounting for Income Taxes", ("SFAS 109") is required to be adopted no later than 1993. The major effect of SFAS 109 on the Company is that upon adoption the benefit of certain temporary differences that will result in deductible amounts in future periods will be recorded as an asset (principally through a credit to income) and, in financial statements issued subsequent thereto, most periods will have a higher provision for income taxes. The Company estimates that if SFAS 109 had been adopted at December 31, 1991, shareholders' equity would have increased by approximately $4,000,000.

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", ("SFAS 106") requires companies to accrue the cost of providing certain of such benefits during the employees' period of service. SFAS 106 is required to be adopted no later than 1993. The Company intends to record the aggregate previously unrecorded postretirement liability upon implementation of SFAS 106, rather than amortizing such amount as is permitted. The decrease in shareholders' equity that will be recorded by the Company upon implementation of SFAS 106 is approximately $2,790,000. Adoption of SFAS 106 is not expected to have a material effect on results of operations other than in the year of implementation.

The Company presently intends to implement both SFAS 109 and SFAS 106 in 1992 as a cumulative effect of a change in accounting principles and, accordingly, results of operations for the 1992 reporting periods ended prior to implementation will be restated.

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the 1991 10-K.

First quarter 1992 revenues increased by $3,444,000 over the comparable 1991 period principally as the result of a $1,843,000 increase in earned premiums. The increase in earned premiums is primarily the result of the effect of significant rate increases coupled with increased volume particularly in the assigned risk automobile line of business.

Net investment income for the first quarter of 1992 was approximately $232,000 greater than for the first quarter of 1991. Although interest rates were lower in the first quarter of 1992 when compared with the first quarter of 1991, continued positive cash flow has produced growth in the invested asset base which more than offset the effects of lower interest rates. The realized gains on sales of investments in 1992 stemmed largely from the Company's strategy to utilize available capital loss carryforwards.

Losses incurred for the first quarter of 1992 increased approximately $1,386,000 over the comparable 1991 quarter. This increase is the result of a combination of factors attributable to increased premium volume and claims frequency in the automobile segment. Additionally, increased assessment rates for one New York workers' compensation fund contributed approximately $240,000 of losses incurred to the commercial lines business segment in the first quarter of 1992.

The combination of other underwriting expenses and the amortization of deferred policy acquisition costs decreased $471,000 in the first quarter of 1992 compared to the comparable 1991 period. Although the Company has experienced increased operating, tax and commission expenses associated with increased written premiums, increased deferrals coupled with fees earned as a servicing carrier and through the acquisition of assigned risk business from other insurance carriers have more than offset these increased costs.

Federal income taxes for the first quarter of 1992 reflect the utilization of capital loss carryforwards.

Part II - Other Information

Item 6. **Exhibits and Reports on Form 8-K**

a) Exhibits - None

b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLCITY INSURANCE COMPANY
(Registrant)

Date May 14, 1992

Robert Iacona
Senior Vice President and Treasurer
(Principal Financial and
Accounting Officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

13

For the quarterly period ended March 31, 1992 **Commission file number 33-4918**

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____ to ____

ALOETTE COSMETICS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania (State or other jurisdiction of incorporation or organization)	**23-2056003** (I.R.S. Employer Identification No.)
1301 Wright's Lane East, West Chester, PA (Address of principal executive office)	**19380** (Zip Code)

(215) - 692 - 0600
(Registrant's telephone number, including area code)

____
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, no par value - 2,155,253 shares as of May 14, 1992.

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MAY 18 1992

EXHIBIT INDEX APPEARS ON PAGE 14 OF THIS FORM.

PAGE 1 OF 15 PAGES.

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ALOETTE COSMETICS, INC. AND SUBSIDIARIES

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CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 4,557,818	$ 4,496,445
Short-term investments	1,242,831	1,481,828
Accounts receivable, less allowance of $60,000 and $70,000	3,049,513	2,669,309
Current portion of notes receivable, less allowance of $20,000 and $20,000	605,664	620,100
Inventories	6,384,816	6,805,983
Deferred income taxes	521,012	510,458
Prepaid expenses and other current assets	808,913	852,917
Total current assets	17,170,567	17,437,040
Investments	271,580	371,580
Cost in excess of net assets acquired, net	1,198,177	1,225,831
Notes receivable, less current portion	1,249,306	1,332,572
Property, plant and equipment, net	6,365,955	6,445,297
Other assets	594,204	573,377
Total assets	$26,849,789	$27,385,697
LIABILITIES		
Current liabilities:		
Notes payable, banks	$ 2,630,000	$ 2,780,000
Current maturities of long-term debt	2,139,795	2,168,262
Accounts payable, trade	910,194	1,037,921
Accrued expenses	1,006,558	995,391
Dividends payable	172,420	172,420
Accrued compensation and benefits	100,632	202,504
Current portion, deferred franchise fee revenue	217,186	189,496
Total current liabilities	7,176,785	7,545,994
Long-term debt, less current maturities	3,985,591	3,990,028
Deferred franchise fee revenue, less current portion	369,770	425,076
Total liabilities	11,532,146	11,961,098
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Common stock, no par value, 20,000,000 shares authorized, 2,963,134 shares issued	25,000	25,000
Additional paid-in capital	7,588,495	7,588,495
Guarantee of Employee Stock Ownership Trust borrowings	(55,974)	(82,731)
Cumulative currency translation adjustments	466,216	768,762
Retained earnings	16,069,332	15,900,499
Less: Common stock in treasury, at cost, 807,881 shares in 1992 and 1991, respectively	(8,775,426)	(8,775,426)
Total shareholders' equity	15,317,643	15,424,599
Total liabilities and shareholders' equity	$26,849,789	$27,385,697

See accompanying notes

ALOETTE COSMETICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Revenues:		
Net product sales	$ 4,392,542	$ 4,923,163
Revenue from franchise operations	624,429	678,998
Sales of franchises	66,389	53,765
	5,083,360	5,655,926
Costs and expenses:		
Cost of product sales	2,740,539	2,912,856
Selling, general and administrative	1,832,354	1,813,428
Sales of franchises	1,000	2,689
	4,573,893	4,728,973
Operating income	509,467	926,953
Other income, net	(28,584)	191,019
Income before income taxes and extraordinary item	480,883	1,117,972
Provision for income taxes	210,000	450,000
Net income before extraordinary item	270,883	667,972
Extraordinary item - tax loss carryforward	70,370	-
Net income	$ 341,253	$ 667,972
Per share data:		
Earnings before extraordinary item	$.13	$.23
Extraordinary item	$.03	-
Earnings	$.16	$.23
Dividends	$.08	$.08
Weighted average shares outstanding	2,155,253	2,933,134

See accompanying notes

ALOETTE COSMETICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Cash flow from operating activities:		
Net income	$ 341,253	$ 667,972
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation & amortization	168,187	127,748
Reduction in guarantee of Employee Stock Ownership Trust borrowings	26,757	24,648
Provision for doubtful accounts and notes receivable	(9,050)	20,439
Loss on disposal of property, plant and equipment	1,500	-
Franchise fee revenue	(66,389)	(53,738)
Deferred income taxes	21,000	-
Other	15,435	5,808
Changes in operating assets and liabilities:		
(Increase) in receivables	(415,911)	(484,451)
(Increase) decrease in inventories	330,822	(819,783)
(Increase) decrease in prepaids and other current assets	3,749	(443,886)
Decrease in accounts payable and accrued expenses	(230,602)	(211,601)
Net cash provided by (used in) operating activities	186,751	(1,166,844)
Cash flows from investing activities:		
Proceeds from sale of investments	335,000	1,262,000
Purchase of investments	-	(1,090,000)
Proceeds from repayment of notes receivable	106,956	102,082
Notes granted to franchises and affiliates	-	(517,822)
Purchase of property, plant, and equipment	(93,005)	(589,324)
Repurchase of franchise territories	(23,696)	-
(Increase) in other assets	(15,363)	(23,011)
Net cash provided by (used in) investing activities	309,892	(856,075)
Cash flows from financing activities:		
Dividend payments	(172,420)	(234,651)
Repayment of notes payable, net	(150,000)	(293,570)
Payment of long-term debt	(32,332)	(27,758)
Additional long-term debt	1,908	59,506
Net cash (used in) financing activities	(352,844)	(496,473)
Effect of exchange rate on cash	(82,426)	18,302
Net increase (decrease) in cash and cash equivalents	61,373	(2,501,090)
Cash and cash equivalents at beginning of year	4,496,445	6,180,920
Cash and cash equivalents at end of period	$ 4,557,818	$ 3,679,830

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ALOETTE COSMETICS, INC. AND SUBSIDIARIES

MARCH 31, 1992

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

2. Inventories

At March 31, 1992 and December 31, 1991, inventories consist of the following:

	1992	1991
Finished goods	$3,638,610	$4,043,671
Work-in-process	176,046	77,503
Raw materials	2,570,160	2,684,809
	$6,384,816	$6,805,983

3. Supplemental Cash Flow Information

Noncash investing and financing activities:

During the first three months of 1992, the Company sold a franchise territory for franchise notes receivable of $40,000.

In March 1992 and 1991, the Company declared a quarterly cash dividend of $172,420 and $172,420 payable in May 1992 and 1991, respectively.

Net cash paid during the three months ended March 31, 1992 and 1991 for interest and income taxes was as follows:

	1992	1991
Interest	$ 177,161	$ 47,285
Income taxes	14,957	529,777

4. Litigation

On January 15, 1991, Superior and the Company were named as defendants in a lawsuit filed in the U.S. District Court by a former employee alleging age discrimination (the "Federal Court Action"). On May 3, 1991, Superior and Company were named as defendants in a lawsuit filed in Texas State Court by four other employees alleging violations of the Texas Commission on Human Rights Act (the "State Court Action"). Both actions sought injunctive relief and damages. Both actions were referred to mediation. The Federal Court Action was settled during 1991 for an immaterial amount. Subsequent to mediation, settlement discussions ensued in the State Court Action; however, such matter has not been settled. Although management has insufficient information at this time upon which to base a final conclusion concerning the State Court Action and, therefore, can give no assurances as to its ultimate outcome, after taking into consideration special legal counsel's evaluations of such action, management is of the opinion that its outcome, if determined adversely against the Company, will not have a material adverse effect on the Company's consolidated financial position.

On August 6, 1991, the Company and Superior (collectively, the "Companies") filed an action against a former officer of Superior. In this action, the Companies allege that a former officer of Superior breached her fiduciary duty to the Companies, defrauded the Companies, interfered with contractual and business relationships with their customers, engaged in deceptive trade practices, and violated the Racketeer Influenced and Corrupt Organizations Act. The Companies have sought injunctive relief, and actual, consequential and exemplary damages in an unspecified amount. The former officer filed a counterclaim in this action seeking damages in excess of $6.0 million. This matter is likely to go to trial some time in 1992. Management, after consultation with special legal counsel, believes that the Companies' position in its claims is meritorious, that an unfavorable outcome with respect to the counterclaim is unlikely, and it intends to pursue this action vigorously.

From time to time, the Company is a defendant in litigation arising in the normal course of business. Management and legal counsel do not believe that any settlement resulting from such litigation will have a material adverse effect on the Company's consolidated financial position.

5. Recognition of Extraordinary Tax Benefit

In the first quarter of 1992, the Company recognized a $70,370 extraordinary tax benefit from the utilization of a net operating loss carryforward of one of its subsidiaries. The recognition of this extraordinary item resulted in earnings of $.03 per common share. Another subsidiary of the Company currently has available approximately $167,000 in net operating loss carryforwards which expire in 2004.

6. Company-owned franchises

In January 1992, the Company repurchased one of its domestic franchises for approximately $24,000 in cash. The franchise is currently being operated by the Company and contributed $149,000 to consolidated net product sales from its date of acquisition through March 31, 1992. The Canadian-owned franchises repurchased in June 1991 contributed $81,000 to consolidated net product sales in the first quarter. The franchises had an immaterial effect on consolidated results of operations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

ASSETS:

In the first quarter of 1992, investments decreased approximately $340,000 from year-end balances as existing cash balances and cash from operations were used to pay dividends of approximately $172,000, repay $150,000 against the outstanding borrowings under the Company's line of credit, and purchase approximately $94,000 of property, plant, and equipment. The increase of approximately $380,000 in accounts receivable is primarily attributable to the timing of billings related to the Company's annual seminar and an increase in franchise product purchases related to traditionally higher sales levels in the second and third quarters. The decrease in inventories of approximately $421,000 resulted from reductions in stock levels related to Aloette skin care products being produced by an outside manufacturer and new product introductions in March 1992

LIABILITIES AND SHAREHOLDERS' EQUITY:

Notes payable decreased approximately $150,000 reflecting payments against outstanding borrowings under the Company's lines of credit. The decrease of approximately $102,000 in accrued compensation is attributable to the timing of the funding of the Company's pension liability which was paid in the first quarter in the current year versus the second quarter in the preceding year.

RESULTS OF OPERATIONS:

Revenues

The decrease in total revenues of approximately $573,000, or 10%, was primarily attributable to an overall decrease in net product sales to the Company's franchises and at Superior Products, its Dallas-based manufacturing facility. The current year's net product sales, which include approximately $230,000 in sales from the company-owned franchises, exclude sales from the Company's Canadian manufacturer, Spectrum Cosmetics, whose operations will be consolidated with Superior's under a restructuring plan announced in January 1992. Spectrum's sales totalled $183,000 for the period from January 1, 1991 through March 31, 1991. Net product sales to Aloette franchises decreased 7% from $3.8 million in the first quarter of 1991 to $3.5 million in the first quarter of 1992 as sales to domestic franchises were down 6% and sales to Canadian franchises were down 9%. Net product sales to the Company's franchises were impacted by a change in timing of the Company's annual seminars--which are attended by the large majority of franchise owners and Beauty Consultants--from the third quarter in previous years to the first quarter in the current year. The Company is in the process of implementing new sales and marketing strategies to achieve long-term sales objectives, however, these programs are not expected to significantly impact sales until late 1992 or 1993. Accordingly, management believes that net product sales to Aloette franchises will be flat or slightly under 1991's results at least until late in the third quarter.

Worldwide retail sales--sales from the franchises to their customers--decreased 6% in the first three months of 1992 from $14.3 million in 1991 to $13.5 million in 1992. Correspondingly, revenue from franchise operations, which represents a royalty fee received from Aloette franchises based on their retail sales, decreased $55,000 from the prior year period. The Company expects that the trend in retail sales will follow that of net product sales

Product sales at Superior totalled approximately $637,000 for the first quarter of 1992 representing a decrease of approximately $223,000 from the same period in 1991. This decrease was primarily related to a decrease in sales of processed aloe vera. At this point in time the Company has no plans to continue to produce and distribute processed aloe vera.

COST OF PRODUCT SALES:

Cost of product sales increased to 62% of net product sales in the first quarter of 1992. This level represents a 3% increase over the same period in the prior year, however, it is consistent with the level experienced overall in 1991. Cost of goods sold as a percentage of net product sales continues to be unfavorably impacted by the effect of lower unit volumes resulting in higher manufacturing overhead costs due to the transfer of Aloette's skin care production from Superior Products to an outside manufacturer. The Company is currently in the process of renovating the Dallas manufacturing facility to accommodate production of cosmetics products and improve production efficiencies; these renovations are expected to take the better part of 1992. Accordingly, production of Aloette skin care and cosmetic products is expected to be phased in at Superior's facility in Dallas during the third and fourth quarters of 1992.

EXPENSES:

Selling, general and administrative expenses increased to 36% of total revenues from 32% in 1990. Total selling, general and administrative expenses were relatively constant with first quarter 1991's levels as increases attributable to the development and implementation of new marketing and sales strategies were offset by decreases at Superior Products and the elimination of Spectrum Cosmetics. Management expects that this trend will continue throughout the remainder of the year.

OTHER INCOME:

The decrease of approximately $220,000 in other income is primarily related to the additional indebtedness incurred to finance the April 1991 treasury stock purchase and the effect of lower rates on reduced average cash balances.

EXTRAORDINARY ITEM:

The Company recognized a $70,370 extraordinary tax benefit from the utilization of a net operating loss carryforward of one of its subsidiaries. The recognition of this extraordinary item resulted in earnings of $.03 per common share.

NET INCOME:

Net income for the first quarter 1992 decreased 49% to $341,000 from $668,000 in the prior year. Earnings per share decreased 30% from $.23 in 1991 to $.16 in 1992 on approximately 27% fewer shares outstanding. The decrease in net income was primarily attributable to the reduction of revenues from product sales to the franchises, losses attributable to Superior Products, and the decrease in other income related to the April 1991 treasury stock purchase.

LIQUIDITY AND CAPITAL RESOURCES:

At March 31, 1992, the Company held over $6.1 million in cash, short and long term certificates of deposit, and other investments. In 1992, the Company anticipates capital expenditures of approximately $1.8 million, principally related to the renovation of its Dallas-based manufacturing facility, and has scheduled debt maturity payments of $2.2 million primarily related to the treasury stock purchase. The Company believes its working capital, current financing, and available lines of credit are sufficient to cover normal and expected cash flow needs, including planned capital spending for operations, for at least the next two years.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported on the Company's Form 10-Q filed for the quarter ended September 30, 1991, on January 15, 1991, Superior Products Company ("Superior") and the Company were named as defendants in a lawsuit filed in the U.S. District court under the caption Young v. Aloette Cosmetics, Inc. et al. (Div. No. CA 3-91-0072-J, N.D. Tex.) (the "Federal Court Action") by a former employee alleging age discrimination. On May 3, 1991, Superior and Aloette were named as defendants in a lawsuit filed in Texas State Court under the caption Massingill, et al v. Aloette Cosmetics, Inc. et al. (Div. No. 91-05117) (the "State Court Action") by four other employees alleging violations of the Texas commission on Human Rights Act. Both actions sought injunctive relief and damages. Both actions were referred to mediation. The Federal Court Action was settled on or about October 1991. Subsequent to mediation, settlement discussions ensued in the State Court Action; however, such matter has not been settled. Although management has insufficient information at this time upon which to base a final conclusion concerning the State Court Action and, therefore, can give no assurances as to its ultimate outcome, after taking into consideration special legal counsel's evaluations of such action, management is of the opinion that its outcome, if determined adversely against the Company, will not have a material adverse effect on the Company's consolidated financial position.

On August 6, 1991, the Company and Superior (collectively, the "Companies") filed an action in the District Court of Dallas County under the caption Aloette Cosmetics, Inc. of Delaware, et al. v. Wright, et al. In this action, the Companies allege that a former officer of Superior breached her fiduciary duty to the Companies, defrauded the Companies, interfered with contractual and business relationships with their customers, engaged in deceptive trade practices, and violated the Racketeer Influenced and Corrupt Organizations Act. The basis of the action concerned the former officer's diversion of sales and business from Superior to an affiliated corporation of the former officer. The Companies have sought injunctive relief, and actual consequential and exemplary damages in an unspecified amount. On October 4, 1991, the court issued a temporary injunction against the former officer restraining her from soliciting certain manufacturers' representatives of the Companies and resolving certain disputes as to ownership interests in certain assets. In addition, the court ordered that a receiver be appointed for purposes of collecting receipts for sales made from the date of the officer's termination on July 23, 1991 through October 4, 1991 to determine which organization shall be entitled to such revenues. The former officer filed a counterclaim in this action alleging, among other things, illegal restraint of trade, bad faith, and mental distress, and seeks the return of certain equipment and approximately $6.0 million in compensatory damages and treble damages against the Companies. This matter is likely to go to trial some time in 1992. Management, after consultation with special legal counsel, believes that the Companies' position in its claims is meritorious, and that an unfavorable outcome with respect to the counterclaim is unlikely, and it intends to pursue this action vigorously.

From time to time, the Company is a defendant in litigation arising in the normal course of business. Management and legal counsel do not believe that any settlement resulting from such litigation will have a material adverse effect on the Company's consolidated financial position.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

Exhibit 11 - Schedule of Computation of Per Share Earnings

Reports on Form 8-K:

On February 21, 1992, the Company filed on Form 8-K certain information with respect to the consolidation of its two manufacturing operations.

Item 5: Other Events

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALOETTE COSMETICS, INC.
(Registrant)

Date May 14, 1992

Albert E. Edwards, President

Date May 14, 1992

Jean M Lewis

Jean M. Lewis,
Vice President of Finance
(Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NO.	PAGE NO. IN SEQUENTIAL NUMBERING SYSTEM
11	15

ALOETTE COSMETICS, INC. AND SUBSIDIARIES

EXHIBIT 11

SCHEDULE OF COMPUTATION OF PER SHARE EARNINGS
for the three months ended March 31, 1992 and 1991

PRIMARY	1992	1991
Net income for primary income per share	$ 341,253	$ 667,972
Weighted average number of common shares outstanding during the period	2,155,253	2,933,134
Add - common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of employee stock options and warrants	6,189	4,144
Weighted average number of shares used in calculation of primary income per share	2,161,442	2,937,278
Primary income per common share	$.16	$.23
FULLY DILUTED		
Net income for fully diluted income per share	$ 341,253	$ 667,972
Weighted average number of shares used in calculating primary income per share	2,161,442	2,937,278
Add (deduct) incremental shares representing shares issuable upon exercise of stock options and warrants included in primary calculation above	(6,189)	(4,144)
Shares issuable upon exercise of stock options based on quarter-end market price	7,214	5,625
Weighted average number of shares used in calculation of fully diluted income per share	2,162,467	2,938,759
Fully diluted income per common share	$.16	$.23

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________.

Commission File Number 2-2274

ALTA GOLD CO.
(Exact Name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

87-0259249
(I.R.S. Employer Identification Number)

2319 Foothill Drive, Suite 140
Salt Lake City, Utah
(Address of Principal Executive Offices)

84109
(Zip Code)

Registrant's telephone number, including area code: (801) 483-1116

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

The number of shares outstanding of the Registrant's Common Stock as of March 31, 1992 was 26,984,189.

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ALTA GOLD CO. & SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ALTA GOLD CO. & SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$13,741	$15,120
Receivables	384	329
Inventories	1,130	1,154
Prepaid expenses and other	603	296
Restricted short-term investments	15,134	14,833
Total current assets	30,992	31,732
PROPERTY, BUILDINGS AND EQUIPMENT, net	16,424	16,578
DEFERRED EXPLORATION AND DEVELOPMENT COSTS, net	9,071	9,071
OTHER ASSETS	964	1,163
Total assets	$57,451	$58,544

The accompanying notes are an integral part of these consolidated condensed financial statements.

ALTA GOLD CO. & SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS (continued)
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Current portion of long-term debt-		
Term loan payable to Mase Westpac, Ltd. (See Note 5 regarding litigation)	$13,185	$12,975
Proportionate share of Cyanco construction loan (Note 6)	2,626	4,756
Other long-term debt	699	702
Accounts payable	379	931
Accrued liabilities	1,544	1,323
Income tax payable	-	127
Total current liabilities	18,433	20,814
LONG-TERM DEBT, net of current portion	474	509
OTHER LONG-TERM LIABILITIES	3,275	2,443
DEFERRED INCOME TAXES PAYABLE	755	755
Total liabilities	22,937	24,521
STOCKHOLDERS' EQUITY:		
Common stock, $.001 par value; authorized 40,000,000 shares, issued 26,984,189 and 26,729,275 shares, respectively	27	27
Additional capital	39,950	39,682
Warrants outstanding	95	95
Accumulated deficit	(5,371)	(5,580)
Deferred compensation	(187)	(201)
Total stockholders' equity	34,514	34,023
Total liabilities and stockholders' equity	$57,451	$58,544

The accompanying notes are an integral part of these consolidated condensed financial statements.

ALTA GOLD CO. & SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three months ended March 31, 1992	Three months ended March 31, 1991
REVENUES	$ 451	$ 7,436
OPERATING COSTS AND EXPENSES:		
Direct mining and production costs	1,169	8,890
General, administrative and other	463	799
Depreciation, depletion, amortization	355	1,152
	1,987	10,841
Loss from operations	(1,536)	(3,405)
OTHER INCOME (EXPENSE), net	368	(386)
LOSS BEFORE INCOME TAX BENEFIT AND EXTRAORDINARY ITEM	(1,168)	(3,791)
Income tax benefit	175	-
LOSS BEFORE EXTRAORDINARY ITEM	(993)	(3,791)
Extraordinary item (Note 6): Gain on debt restructuring, net of $175,000 of income tax	1,202	-
NET INCOME (LOSS)	$ 209	$(3,791)
NET INCOME (LOSS) PER COMMON SHARE (Note 1):		
Loss before extraordinary item	$ (.04)	$ (.15)
Extraordinary item	$ .05	$ -
NET INCOME (LOSS) PER SHARE	$ .01	$ (.15)
WEIGHTED AVERAGE SHARES OUTSTANDING	27,153	26,696

The accompanying notes are an integral part of these consolidated condensed financial statements.

ALTA GOLD CO. & SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three months ended March 31, 1992	Three months ended March 31, 1991
Cash Flows from Operating Activities:		
Net income (loss)	209	$(3,791)
Adjustments to reconcile net income (loss) to net cash operating activities:		
Depreciation, depletion and amortization	355	1,182
Gain on sale of assets	-	(203)
Stock compensation and other	280	501
Net change in assets and liabilities	(1,074)	785
Extraordinary gain (Note 6)	(1,377)	-
Operating costs not funded by the Company	-	1,284
Net cash used in operating activities	(1,607)	(242)
Cash Flows from Investing Activities:		
Reduction of basis in Partnership	-	508
Purchase of property, buildings and equipment	(200)	-
Proceeds from sale of assets	-	184
Payments received on note receivable	37	-
Income on investments (unrestricted)	349	-
Income on investments (restricted)	301	-
Reinvestment of investment income	(301)	-
Net cash (used in) provided by investing activities	186	692
Cash Flows from Financing Activities:		
Proceeds from issuance of debt	80	387
Payments on debt	(38)	(1,208)
Reacquisition of common stock	-	(10)
Net cash provided by (used in) financing activities	42	(831)
Net decrease in cash and cash equivalents	(1,379)	(381)
Cash and cash equivalents, beginning of period	15,120	1,162
Cash and cash equivalents, end of period	$13,741	$ 781

The accompanying notes are an integral part of these consolidated condensed financial statements.

ALTA GOLD CO. & SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)
(In thousands)

	Three months ended March 31, 1992	Three months ended March 31, 1991
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 35	$ 212
Cash paid during the period for income taxes	250	-

The accompanying notes are an integral part of these consolidated condensed financial statements.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Interim Financial Statement Policies and Disclosures

The unaudited, condensed, consolidated financial statements of Alta Gol Co. (the "Company") included herein have been prepared pursuant to the rule and regulations of the Securities and Exchange Commission. Certai information and footnote disclosures normally required in financia statements prepared in accordance with generally accepted accountin principles have been condensed or omitted pursuant to such rules an regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These interim, unaudited, consolidated, condensed financial statements should be read in conjunction with the Annual Report on Form 10-K for the year ended December 31, 1991, as filed with the Securities and Exchange Commission. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

Reclamation Costs

Minimum standards for mine reclamation have been established by various governmental agencies which affect certain operations of the Company. The Company's general policy is to accrue estimated reclamation costs during the property's productive life based on estimated reserves using the units of production method. As of March 31, 1992 and December 31, 1991, the Company had reserved approximately $3,516,000 and $3,535,085 respectively for reclamation activities of which approximately $1,073,000 is expected to be expended during 1992.

Earnings (Loss) Per Share

Earnings per share is computed for the three months ended March 31, 1992 based on the weighted-average number of shares actually outstanding, plus the shares that would be outstanding assuming exercise of dilutive stock warrants and fulfillment of employee stock compensation agreements, all of which are considered to be common stock equivalents. No common stock equivalents are included in the computation for loss per share for the three months ended March 31, 1991 because they are anti-dilutive.

Note 2. Inventories

Inventories consist of the following:

	(In Thousands) March 31, 1992	December 31, 1991
Precious metals and concentrates	$ 805	$ 805
Mining and milling supplies	325	349
	$ 1,130	$ 1,154

Note 5. Mase Westpac Ltd. Litigation

The Company is currently in litigation with Mase Westpac, Ltd., (Mase), one of the Company's lenders. The Company has classified the entire debt, including accrued interest, as a current liability on these financial statements. As of March 31, 1992, the debt with accrued interest totalled approximately $13,185,000. The Company has placed into escrow and classified as Restricted Short Term Investments approximately $15,024,000 to provide for the possibility of an adverse ruling. For more information regarding the Mase litigation, see Part II, Item 1 "Legal Proceedings" of this Form 10-Q.

Note 6 Cyanco Joint Venture

Effective February 1, 1989, SP Chemical Co., a special-purpose, wholly-owned subsidiary of the Company, and Nevada Chemicals, Inc., a wholly-owned subsidiary of Mining Services International, formed CyanCo Company ("CyanCo") to operate as a joint venture with Nevada Chemicals, Inc. acting as the operator. SP Chemical Co. initially contributed $1,000,000 for its 33 1/3 percent participating interest and Nevada Chemicals, Inc. has a 66 2/3 percent participating interest. CyanCo was formed to construct and operate a liquid sodium cyanide production facility. Construction of the facility was completed in 1991 at a cost of approximately $14,000,000. The cost of the project was largely financed with a nonrecourse construction loan from Westinghouse Credit Corporation (WCC) which was scheduled to convert to a term loan at the completion of the construction of the production facility. However, due to tightening market and financial conditions, the construction loan was not converted to a term loan as scheduled and CyanCo and WCC entered into a series of negotiations to restructure the loan. On March 27, 1992, CyanCo, along with its general partners, SP Chemical Co. and Nevada Chemicals, Inc., and WCC entered into a Settlement and Release Agreement pursuant to which CyanCo agreed to pay the lender $6,000,000 and to grant a royalty on cyanide production not to exceed $2,500,000 in total, in full settlement of all amounts owed.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Cyanco, Nevada Chemicals and SP Chemical have obtained bridge financing for the $6,000,000 (secured by the sodium cyanide plant) from a third party which amount was paid to WCC. It is planned that a major portion of the bridge financing will be converted to ownership in CyanCo and the Company will withdraw from the joint venture upon release of liabilities and obligations and upon receipt of certain cash and future guaranteed payments. Final negotiations have not been completed.

During March, 1992, the Company recorded the above debt restructuring by reducing its proportionate share of the construction loan by approximately $2,170,000, recording a long-term royalty obligation of approximately $833,000 (the Company's proportionate share of the $2,500,000 CyanCo royalty) and recording an extraordinary gain on debt restructuring of approximately $1,377,000.

CyanCo currently owes the Company approximately $349,000 in loans which will be paid to the Company when final negotiations are completed. In addition, CyanCo has recorded approximately $689,000 as deposits payable, representing liquid cyanide which was prepaid by the Company during 1990 which amount will be repaid to the Company in 12 equal monthly installments beginning during the second quarter of 1992.

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1992, the Company had working capital of approximately $12,560,000 compared with working capital at December 31, 1991 of $10,918,000. The increase of $1,642,000 is primarily due to the reduction of CyanCo debt (see Note 6 to the financial statements) and the payment of various amounts accrued at December 31, 1991.

The Company's cash balance at March 31, 1992 is approximately $13,741,000, the majority of which is invested in cash-equivalent, liquid, short-term investments. The Company also has 2,279 ounces of gold bullion from 1991 production which are currently classified as inventory. These ounces may be converted to cash at Management's discretion.

As discussed in Note 6 to the financial statements, the CyanCo debt has been restructured resulting in a reduction of current liabilities of approximately $2,213,000, the capitalization of a long-term royalty obligation based on production to Westinghouse Credit Corporation (WCC) of $833,000 and recognition of an extraordinary gain in the amount of $1,377,000. The WCC construction loan balance of $6,000,000 was paid in full using a short-term bridge loan on April 22, 1992. It is planned that the Company will withdraw from CyanCo during the second quarter of 1992 upon receiving cash and certain guaranteed payments; However, final negotiations have not been completed.

Other long-term liabilities consist of reclamation accruals in the amount of approximately $2,443,000 on certain properties representing anticipated expenditures during 1993 and thereafter for reclamation activities and the Company's portion of the long-term royalty obligation to WCC in the amount of approximately $833,000.

As a result of the strong cash position of the Company, Management anticipates that its cash and other cash equivalent resources will be sufficient to maintain current operations and to provide capital for investment in long-term projects and properties. The Company is evaluating its current properties to determine the best strategies in order to optimize cash flows and long-term growth potential as well as undertaking vigorous business development, research, exploration and acquisition plans to better position the Company for long-term growth and profitability.

RESULTS OF OPERATIONS

Revenues from the Company's operations for the quarters ended March 31, 1992 and March 31, 1991 consist primarily of sales of precious metals, base metals, management fees from managing joint ventures and the Company's proportionate share of revenue from the CyanCo Joint Venture, however as the Company has restructured and closed certain operations, revenues have decreased from $7,436,000 during the first quarter of 1991 to $451,000 during the first quarter of 1992. The Company's precious and base metal properties have been on security and maintenance basis during the past winter. Therefore, no metals were produced or sold during the first quarter of 1992. The Company opened the Golden Butte, Elder Creek and Illipah properties for heap leaching, rinsing and other reclamation activities during April, 1992 and anticipates gold recovery of 1,500 ounces from Golden Butte, 500 ounces from Illipah and 1,700 ounces from Elder Creek for the year ending 1992. These ounces will partially offset production and reclamation expenditures during 1992. Virtually all the revenue during the quarter ended March 31, 1992 resulted from the Company's share of CyanCo sales of sodium cyanide.

The Company's portion of liquid cyanide sales from CyanCo, in which the Company owns a nonoperating 33 1/3% interest, increased by 75% or $193,000 for the quarter ended March 31, 1992 as compared to March 31, 1991. This increase is a result of increased sales of sodium cyanide from approximately 1,221,000 pounds of sodium cyanide at March 1991 to approximately 2,435,000 pounds of sodium cyanide at March 1992. The price of cyanide still remains low due to over supply and decreased demand, however, CyanCo is continuing to increase revenue through negotiations of long-term supply contracts with major gold producers in the Western United States.

Operating costs and expenses reflect a decrease of approximately $8,854,000 for the first quarter ended 1992 as compared with the first quarter ended 1991. Direct mining and production costs decreased by approximately $7,721,000 due to reduced purchases and personnel costs resulting from the shut down of the Ward/Taylor and Golden Butte properties and the sale of the Company's interest in the San Juan County Mining Venture and the Robinson Mining Limited Partnership, all of which were in production during the first quarter of 1991. Direct mining and production costs for the quarter ended March 31, 1992 of $1,169,000 represents mine shut-down and maintenance costs of approximately $555,000, exploration expenditures of approximately $200,000 and the Company's portion of Cyanco operating expenses of $414,000. General and administrative expenses decreased by approximately $336,000 due primarily to reduced personnel costs. Depreciation, depletion and amortization decreased by approximately $797,000 due to the write-off of various long-term assets and reduced depletion due to reduced operations.

Other income/expense reflects an increase of approximately $755,000 for the first quarter 1992 as compared with the first quarter 1991. This increase is primarily the result of investment income from the Company's unrestricted short-term investments and the Mase Westpac cash escrow account and a lower interest accrual on the Mase Westpac debt due to lower interest rates in 1992 compared to those existing in 1991.

During the quarter, the Company recorded an extraordinary gain of approximately $1,377,000 relating to the restructuring of the CyanCo construction loan (See Note 6 to the financial statements).

PART II OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

On February 21, 1991, Mase Westpac, Ltd. ("Mase"), one of the Company's bank lenders, filed an action in U.S. District Court in the District of Utah to recover the entire balance under a revolving credit agreement and for a preliminary and permanent injunction restraining the Company from violating the covenants in the revolving credit agreement. The action was subsequently moved to the district of New York. Mase's action alleges the Company defaulted under the terms of the revolving credit agreement by failing to make an entire principal payment on December 31, 1990. In December 1990, the Company requested an extension of the December 31, 1990 payment and it was management's understanding that the portion of the December 31, 1990 principal payment not paid had been refinanced temporarily by a side loan with Mase at an increased rate of interest. Subsequently, the Company tendered payment to Mase for amounts then owing. The offered payment was unacceptable in the manner in which it was to be applied between interest and principal. Accordingly, the Company filed a lawsuit in the Second District Court for the participating bank under the revolving credit agreement, seeking a declaratory judgment that the Company is not in default under the revolving credit agreement and alleging breach of contract, economic duress and interference with contractual relations and perspective economic advantage and seeking damages in excess of $15 million. These actions have been transferred to the New York court with those of Mase.

The Company has deposited $14,500,000 (included in restricted short-term investments in the accompanying March 31, 1992 and December 31, 1991 balance sheet) of the proceeds from the Robinson sale in an investment escrow account to provide for the possibility of an adverse ruling. At March 31, 1992, the amount outstanding under the revolving credit agreement, including accrued interest, was approximately $13,185,000 and the increased balance in the escrowed funds is approximately $15,024,000.

In the accompanying consolidated balance sheets as of March 31, 1992 and December 31, 1991, the debt, including accrued interest, has been classified as current along with the amount deposited in the escrow account.

Management and the Company's legal counsel believe that if the ultimate outcome of the lawsuits is unfavorable to the Company, the amount deposited in the escrow account will be sufficient to cover all claims and any other impact on the Company would not be significant.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

No report has been filed on Form 8-K during the three-month period ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTA GOLD CO.
(registrant)

May 14, 1992
(Date)

BY:
DUANE W. MOSS
VICE PRESIDENT/TREASURER
& CHIEF FINANCIAL OFFICER

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

For Quarter Ended March 31, 1992 Commission File Number 33-29236

THE CONTINUUM GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3490803
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
380 Ludlow Ave., Cranford, New Jersey	07016
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (908) 709-0011

______
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of May 12, 1992, there were 3,706,149 shares of $.01 per value common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

BALANCE SHEETS

ASSETS

	March 31, 1992 [Unaudited]	December 31, 1991
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 73,013	$ 161,748
Accounts Receivable [Net of Allowance for Returns of $1,862 and $3,671]	7,447	14,683
Miscellaneous Receivables	654	654
Inventory	74,348	15,909
Note Receivable - Stockholder	23,630	22,908
TOTAL CURRENT ASSETS	$ 179,092	$ 215,902
TALENT ADVANCES AND RECORDING COSTS	$ 215,114	$ 150,294
LESS: Provision for Unrecoupable Advances and Recording Costs	197,287	150,294
TALENT ADVANCES AND RECORDING COSTS - NET	$ 17,827	$ --
PROPERTY AND EQUIPMENT:		
Furniture and Fixtures	$ 10,821	$ 10,821
Equipment	25,367	25,367
Leasehold Improvements	10,870	10,870
Totals - At Cost	$ 47,058	$ 47,058
Less: Accumulated Depreciation and Amortization	15,023	10,526
PROPERTY AND EQUIPMENT - NET	$ 32,035	$ 36,532
OTHER ASSETS:		
Intangible Assets [Net of Accumulated Amortization of $4,120 and $687]	$ 37,120	$ 40,552
TOTAL ASSETS	$ 266,074	$ 292,986

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY [DEFICIT]

	March 31, 1 9 9 2 [Unaudited]	December 31, 1 9 9 1
CURRENT LIABILITIES:		
Accounts Payable	$ 85,804	$ 31,316
Accrued Expenses	57,310	77,116
Accrued Expenses - Related Party	--	10,000
Loans Payable - Bank	200,000	--
Current Maturities of Capital Lease Obligations	5,833	6,141
TOTAL CURRENT LIABILITIES	$ 348,947	$ 124,573
LONG-TERM LIABILITY:		
Capital Lease Obligations	$ 4,150	$ 5,550
STOCKHOLDERS' EQUITY [DEFICIT]:		
Preferred Stock - .001 Par Value, 5,000,000 Shares Authorized, No Shares Issued and Outstanding	$ --	$ --
Common Stock - .01 Par Value, 5,000,000 Shares Authorized, 3,706,149 Shares Issued and Outstanding;	37,062	37,062
Paid-in Capital	926,222	926,222
[Deficit] - Accumulated During the Development Stage	(1,050,307)	(800,421)
TOTAL STOCKHOLDERS' EQUITY [DEFICIT]	$ (87,023)	$ 162,863
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY [DEFICIT]	$ 266,074	$ 292,986

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

STATEMENTS OF STOCKHOLDERS' EQUITY [DEFICIT]

[UNAUDITED]

	Common Stock		Preferred Stock		Paid-in Capital	[Deficit] Accumulated During the Development Stage	Total Equity [Deficit]
	Shares	Amount	Shares	Amount			
BALANCE - JANUARY 1, 1992	3,706,149	$ 37,062	--	$ --	$ 926,222	$ (800,421)	$162,863
Net [Loss] for the Period	--	--	--	--	--	(249,886)	(249,886)
BALANCE - MARCH 31, 1992	3,706,149	$ 37,062	--	$ --	$ 926,222	$(1,050,307)	$(87,023)

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]

STATEMENTS OF OPERATIONS

	Cumulative During Development Stage June 14, 1989 [Date of Inception] Through March 31, 1992 [Unaudited]	Three months ended	
		March 31, 1992 [Unaudited]	March 31, 1991 [Unaudited]
REVENUE	$ 269,111	$ 11,733	$ 6,190
LESS: Returns and Allowances	(47,011)	(3,724)	(1,082)
NET REVENUE	$ 222,100	$ 8,009	$ 5,108
COST OF REVENUE	364,704	22,767	8,396
GROSS [LOSS]	$ (142,604)	$ (14,758)	$ (3,288)
OPERATING EXPENSES:			
Talent Advances and Recording Costs	$ 197,287	$ 46,993	$ 7,567
Advertising and Promotion Expenses	66,169	9,342	1,699
General and Administrative Expenses	622,552	177,357	31,095
TOTAL OPERATING EXPENSES	$ 886,008	$ 233,692	$ 40,361
OPERATING [LOSS]	($1,028,612)	$ (248,450)	$ (43,649)
OTHER [EXPENSE] INCOME:			
Interest Expense	$ (27,404)	$ (2,564)	$ (6,870)
Interest Income	5,709	1,128	822
OTHER [EXPENSE] - NET	$ (21,695)	$ (1,436)	$ (6,048)
[LOSS] BEFORE PROVISION FOR INCOME TAXES	($1,050,307)	$ (249,886)	$ (49,697)
PROVISION FOR INCOME TAX	--	--	--
NET [LOSS]	($1,050,307)	$ (249,886)	$ (49,697)
[LOSS] PER SHARE		$ (.07)	$ (.01)
WEIGHTED AVERAGE SHARES		3,706,149	3,706,149

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.

[A DEVELOPMENT STAGE CORPORATION]

STATEMENTS OF CASH FLOWS

	Cumulative During Development Stage June 14, 1989 [Date of Inception] Through March 31, 1992 [Unaudited]	Three months ended	
		March 31, 1992 [Unaudited]	March 31, 1991 [Unaudited]
NET CASH - OPERATING ACTIVITIES	$ (778,328)	$ (222,208)	$ (44,020)
INVESTING ACTIVITIES:			
Capital Expenditures	$ (35,277)	$ --	$ --
Talent Advances and Recording Costs	(184,070)	(64,820)	(15,000)
Acquisition of Assets and Liabilities - BNM - Net of Cash Acquired	(51,871)	--	--
Merger with MTG Capital Corp.	425,000	--	--
Merger with Major Scale Productions - Net of Cash Acquired	1,240	--	--
NET CASH - INVESTING ACTIVITIES	$ 155,022	$ (64,820)	$ (15,000)
FINANCING ACTIVITIES:			
Proceeds from Loan Payable - Related Parties	$ 183,300	$ --	$ --
Proceeds from Loan Payable	150,000	--	150,000
Proceeds from Note Payable - Bank	200,000	200,000	--
Repayment of Loans from Related Parties	(83,300)	--	--
Repayment of Loans Payable	(50,000)	--	--
Proceeds from Issuance of Stock	300,000	--	--
Principal Payments - Capital Leases	(3,681)	(1,707)	--
NET CASH - FINANCING ACTIVITIES	$ 696,319	$ 198,293	$ 150,000
NET [DECREASE] INCREASE IN CASH	$ 73,013	$ (88,735)	$ 90,980
CASH - BEGINNING OF PERIODS	--	161,748	5,411
CASH - END OF PERIODS	$ 73,013	$ 73,013	$ 96,391

See Notes to Financial Statements.

THE CONTINUUM GROUP, INC.
[A DEVELOPMENT STAGE CORPORATION]
NOTES TO FINANCIAL STATEMENTS

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1991.

Organization - The Company was incorporated in the State of New Jersey in June, 1989. Prior to incorporation, the Company conducted business as a partnership. The Company is engaged in the sale and distribution of recording materials and has been in the development stage since inception in June, 1989 due to the fact that it has not experienced any significant sales. Through December 9, 1991, the Company operated under the name Continuum Recording Corp. On that date, the Company merged with a MTG Capital Corp. a public shell corporation, incorporated in Delaware and changed the name of the combined entity to The Continuum Group, Inc.

Inventories - Inventories are stated at the lower of cost [on the first-in, first-out method] or market and consist principally of finished goods.

Talent Advances and Recording Costs - The Company initially capitalizes certain costs which are specified by the contracts as recoverable from future royalties. The recording agreements with the artists state that these costs shall be considered advances and charged against and recouped from royalties due the artist. However, any such advances not so recouped, are not otherwise refundable by the artists or anyone else. Accordingly, the Company bears the entire risk of loss if the promotion of an artist's release is not successful. The Company is accounting for these costs in accordance with Statement of Financial Accounting Standards No. 50, "Financial Reporting in the Record and Music Industry."

Since the Company's talent advances and recording costs are principally to new and unproven artists who have no history of past performance and current popularity, the Company has charged all of these costs incurred in 1991 to operations. The amount of talent advances and recording costs charged to operations was $46,993, $7,567 and $197,287 for the periods ending March 31, 1992 and 1991 and the cumulative period ended March 31, 1992, respectively.

[Loss] Per Share - Loss per share of common stock is based on weighted average number of common shares outstanding for all periods presented, after adjustment for the shares issued in the business combination.

. . . .

Item 7.

THE CONTINUUM GROUP, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months ended March 31, 1992 Compared with Three Months ended March 31, 1991.

During the three months ended March 31, 1992 as was the case in 1991, the Company was in the development stage and as such did not earn any significant revenue from operations.

The Company's net loss increased to $249,886 in 1992 as compared to $49,697 in 1991. The Company anticipates that significant losses could continue in connection with its acquisition, production and promotion of recorded music unless the Company is able to generate sufficient revenues from sales of its products.

The Company incurred significant expense in its search for and promotion of new artists. The Company wrote-off $46,993 and $7,567 during the three months ended March 31, 1992 and 1991, respectively of advances and costs related to artists which the Company felt would not be recoverable from future record sales.

General and administrative expenses and advertising and promotion expenses increased to $186,699 from $32,794 for the three months ended March 31, 1992 and 1991, respectively. The increase is due to increased cost of overhead and personnel which arose from the acquisition of the BNM Companies and additional costs incurred to sign and begin to promote Charlie Watts and various other artists.

Interest expense decreased to $2,564 from $6,870 for the three months ended March 31, 1992 and 1991, respectively due to the advances made to the Company by various individuals in early 1991 who converted a large part of the debt to equity during the latter part of 1991.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital [deficit] of $169,855 at March 31, 1992. The Company incurred a net loss of $249,886 for the three months ended March 31, 1992 and has experienced $1,050,307 in losses since inception. These losses and the lack of significant revenues have raised substantial doubt as to the ability of the Company to continue as a going concern. On December 9, 1991, the Company merged with MTG Capital Corp., a publicly held shell corporation, which provided approximately $425,000 of working capital. The Company is currently pursuing other avenues to obtain additional working capital. In early 1992, it obtained a $200,000 line-of-credit which is guaranteed by a stockholder of the Company. In April 1991, the Company obtained a $100,000 term loan from an affiliate of a stockholder of the Company, which will be utilized for working capital purposes. The Company is also aggressively pursuing additional equity financing. However, there can be no assurance that the Company will be able to complete any such financing.

PART II. OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

(i) Current report on Form 8-K [filed with SEC January 16, 1992] reporting item number 4.

(ii) Current report on Form 8-K [filed with SEC March 13, 1992] reporting item number 8.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CONTINUUM GROUP, INC.
(Registrant)

Harrison Weaver
Harrison Weaver,
Chief Executive Officer

S. T. Brack
Simon T. Brack,
Principal Financial Officer

DATE: May 18, 1992

[redacted] SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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FORM 10-Q

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Q-35885

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1991
Commission File Number 33-17877 NY

DARCY CORPORATION
(Exact name of registrant as specified in its charter)

Colorado	84-0925366
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
416 41st Street, Brooklyn, New York	11232
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 718-633-1879

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date -- to wit: 1,300,000 shares at August 31, 1991.

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Darcy Corporation
FORM 10-Q

Quarter Ended June 30, 1991

Part I Financial Information

Balance Sheets - June 30, 1991 and December 31, 1990 F-2

Statement of Operations for Three Months Ended June 30, 1991 and 1990, and Six Months Ended June 30, 1991 and 1990 F-3

Statement of Cash Flows for the Six Months Ended June 30, 1991 and 1990 F-4

Notes to Financial Statements F-5

Management Discussion and Analysis of Quarterly Income F-6

Part II Other Information - Items 1 to 6 F-7

Signatures F-8

Darcy Corporation
(A Development Stage Enterprise)
Balance Sheet
(Unaudited)

ASSETS

	June 30, 1991	December 31, 1990
Current Assets:		
Cash	$ 0	$ 0
Total Assets	$ 0	$ 0

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 1991	December 31, 1990
Current Liabilities:		
Accrued expenses payable	$ 1,150	$ 1,150
Shareholders' Equity:		
Common Stock, $.01 par value, 50,000,000 shares authorized, issued and outstanding 1,300,000 shares	13,000	13,000
Additional paid-in capital	54,157	54,157
(Deficit) accumulated during the development stage	(68,307)	(68,307)
Total Shareholders' Equity (Deficit)	(1,150)	(1,150)
Total Liabilities and Shareholders' Equity	$ 0	$ 0

Darcy Corporation
(A Development Stage Enterprise)
Statement of Operations
(Unaudited)

	Three Month Ended June 30,		Six Months Ended June 30,		Accumulated Since Inception
	1991	1990	1991	1990	
Revenues					
Interest	$ 0	$ 0	$ 0	$ 114	$ 1,280
Expenses					
General and Administrative	0	0	0	11,254	69,587
Net (Loss)	$ 0	$ 0	$ 0	$(11,140)	$(68,307)
Net (Loss) per share of common stock	$ 0	$ 0	$ 0	$(.024)	
Weighted average number of common shares outstanding	1,300,000	450,000	1,300,000	450,000	

See accompanying notes

Darcy Corporation
(A Development Stage Enterprise)
Statement of Cash Flows
(Unaudited)

	Six Months Ended June 30, 1991	Six Months Ended June 30, 1990	Accumulated Since Inception
Operating Activities:			
Net (Loss)	0	$(11,140)	$(68,307)
Adjustments			
Increase in accrued expenses payable	0	0	1,150
Net Cash Used in Operating Activities	0	(11,140)	(67,157)
Financing Activities:			
Proceeds from issuance of stock net of offering costs	0	0	58,657
Issuance of stock for payment of expenses	0	0	8,500
Cash Provided by Financing Activities	0	0	67,157
Net Increase (Decrease) in Cash	0	(11,140)	0
Cash, Beginning of Period	0	11,164	0
Cash, End of Period	0	$ 24	$ 0

See accompanying notes

Darcy Corporation
(A Development Stage Enterprise)
Notes to Financial Statements
Quarter Ended June 30, 1991

1. Basis of Presentation

The accompanying financial statements, reflect all adjustments, which in the opinion of management, are necessary for the fair presentation of the financial position and the results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

Darcy Corporation
(A Development Stage Enterprise)
Management's Discussion and Analysis of
Quarterly Income Statement
Quarter Ended June 30, 1991

The Company is in the development stage and is searching to find and acquire a suitable business which the Company would operate directly or as a subsidiary corporation. Darcy Corporation had no operations except investment and business search activities.

Darcy Corporation
(A Development Stage Enterprise)
Quarter Ended June 30, 1991

Part II Other Information

Item 1 Legal Proceedings - None

Item 2 Changes in Securities - None

Item 3 Defaults Upon Senior Securities - None

Item 4 Submission of Matters to a Vote of Securities Holders - None

Item 5 Other Information - None other than already referred to in the instant 10-Q.

Item 6 Exhibits and Reports on Form 8-K - None

Darcy Corporation

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Darcy Corporation

Date: ____________________ By: ____________________

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FORM 10-Q

#92-2273

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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DISC[illegible] REPORT UNDER SECTION 13 OR 15(d) [illegible] THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended Sept 30, 1991 Commission file No. 2-89401

EX-CEL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State the jurisdiction of incorporation or organization)	13-3188137 (IRS Employer ID#)
880 Third Ave., New York, N.Y. (Address of principal executive offices)	10022 Zip Code
Registrants telephone number:	(212)832-1203

Securities Registered Pursuant to Section 12(g) of the Act:

NONE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether Registrant (1) has filed all rports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for pst 90 days. Yes___ No X

If the registrant has been involved in bankruptcy proceedings during the prreceeding five years, indicate by check mark whether it has filed all documents and reports required to be filed by Sec. 12, 13, or 15(d) of the Sec. Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes___ No X

As of 9/30/91 **there were outstanding** 8,340,913 **of common stock, $.01 par value**

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EX-CEL RESOURCES INC
(A Developemental Stage Enterprise)

MANAGEMENT'S DISCUSSION
AND
ANALYSIS OF OPERATIONS

RESULTS OF OPERATIONS

Development stage loss for the quarter to Sept 30,1991 amounted to $600. The company was investigating potential products, business combinations, mergers and joint ventures for the purposes of engaging in developements or sale directed to enviormental and health related industries.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as of Sept 30, 1991 was $-0-. Currently, no working capital is being generated from operations.

The Company believes it has sufficient working capital for the immediate future. If additional funds are required the Company believes it can arrange for such financing by borrowing or sale of securities.

PART II

ITEM 1 LEGAL PROCEEDINGS

No legal or administrative proceedings were commenced, or notice received that same would commence against Registrant during the quarter ending 9/30/91

ITEM 2 CHANGES IN SECURITIES

There have been no changes in Registrant's securities

ITEM 3 CHANGES IN SECURITY FOR REGISTERED SECURITIES

There have been no changes in security for registered securuity

ITEM 4 DEFAULT UPON SENIOR SECURITIES None

ITEM 5 INCREASE IN THE AMOUNT OF OUTSTANDING SECURITIES OR DEBT

There has been no increase in outstanding securities or debt during the quarter endind in excess of 5%

ITEM 6 DECREASE IN AMOUNT OF OUTSTANDING SECURITIES OR DEBT

None in excess of 5% of prior outstanding securities or debt

ITEM 7 SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

None

ITEM 8 OTHER MATERIALLY IMPORTANT EVENTS None

ITEM 9 EXHIBITS AND REPORTS ON 8K None

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934 Registrant has caused this report to be signed on its behalf by the undersigned duly authorized thereto

EX-CEL RESOURCES, INC

DATE 3/1/92

DOV KAUFMANN, PRES. & DIRECTOR

Ex-Cel Resources, Inc.
(A Development-Stage Enterprise)
Balance Sheet
September 30, 1991
(Unaudited)

ASSETS

Total Assets		$ - 0 -

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:		
Accrued Expenses Payable		$ 15,525
Total Current Liabilities		$ 15,525
Commitments and Contingencies		
Stockholders' Deficit:		
Preferred Stock, Par Value $.25 per Share Authorized - 10,000,000 Shares; No Shares Issued and Outstanding	$ -	
Common Stock, Par Value $.01 Per Share		
Authorized - 10,000,000 Shares		
Issued - 9,030,529 Shares	90,305	
Less: Treasury Stock - 689,616 Shares	2,906	
Outstanding - 8,340,913 Shares	87,399	
Additional Paid-In Capital	37,170	
Additional Paid-In Capital - Donated Stock	2,896	
Deficit Accumulated During Development Stage	(142,990)	
Total Stockholders' Deficit		(15,525)
Total Liabilities and Shareholders' Deficit		$ - 0 -

Ex-Cel Resources, Inc.
(A Development-Stage Company)
Statement of Loss and Accumulated Deficit
From December 7, 1982 (Date of Inception) To September 30, 1991
(Unaudited)

	Three Months Ended September 30, 1991	Nine Months Ended September 30, 1991	Cumulative December 7, 1982 (Date of Inception) To September 30, 1991
Revenue			
Other Income	$ –	$ 30,254	$ 32,845
Costs and Expenses			
Operating Expenses	600	54,433	175,835
Net Loss	$ (600)	$(24,179)	$(142,990)
Average Number of Shares Outstanding	10,340,913	10,343,843	
Net Loss Per Common Share	$ .000	$ .002	

EX-CEL RESOURCES, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

	COMMON STOCK			DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	
	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL		TOTAL
[illegible] 7, 1982 (Date of Inception)	0	$ 0	$ 0	$ 0	$ 0
Issuance of common stock for cash and payment of company's registration costs (Note 1): $.0265 per share	944,592	9,446	15,554	0	25,000
Net income (loss)	0	0	0	(508)	(508)
Balance at December 31, 1983	944,592	$ 9,446	$ 15,554	$ (508)	$ 24,492
Adjustment for common stock not issued relating to cancellation of certain Royalty Ventures Corporation's common shares prior to distribution	(16,012)	(160)	160	0	0
Net income (loss)	0	0	0	(3,793)	(3,793)
Balance at December 31, 1984	928,580	$ 9,286	$ 15,714	$(4,301)	$20,699
Net income (loss)	0	0	0	(6,348)	(6,348)
Balance at December 31, 1985	928,580	$ 9,286	$ 15,714	$(10,649)	$ 14,351
Sale of stock for cash $.025 per share	1,000,000	10,000	15,000	0	25,000
Stock issued to acquire 100% of the common stock of [illegible] Technologies, Ltd. at $.01 per share	5,832,333	58,323	0	0	58,323
Consolidated net income (loss)	0	0	0	(31,997)	(31,997)
Balance at December 31, 1986	7,760,913	$ 77,609	$ 30,714	$(42,646)	$65,677
Dividend distribution of 100% of the shares of CS Prime Corp. (Note 2)	0	0	(21,849)	0	(21,849)
Common stock issued for services rendered	30,000	300	3,450	0	3,750
Consolidated net income (loss)	0	0	0	(37,023)	(37,023)
Balance at December 31, 1987	7,790,913	$ 77,909	$ 12,315	$(79,669)	$ 10,555

-continued-

EX-CEL RESOURCES, INC.
(A DEVELOPMENT-STAGE ENTERPRISE)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	TOTAL
	NUMBER OF SHARES	PAR VALUE			
Balance at December 31, 1987 (carried forward)	7,790,913	$ 77,909	$ 12,315	$(79,699)	$ 10,555
Donation of treasury stock	(289,616)	(2,896)	2,896	0	0
Common stock issued for services rendered	371,000	3,710	5,565	0	9,275
Common stock issued as additional consideration for loan received	36,000	360	540	0	900
Sale of stock warrants (Note #)	0	0	18,750	0	18,750
Consolidated net income (loss) for the year ended December 31, 1988	7,908,297	79,083	40,066	(151,543)	(151,543)
Balance at December 31, 1988	7,908,297	$79,083	$(40,066)	$ (231,212)	$ (112,063)
Common Stock issued for services rendered	692,616	6,926			6,926
Common stock issued for payment of interest	40,000	400			400
Consolidated net income (loss) for the year ended December 31, 1989				(97,877)	(97,877)
	8,640,913	86,409	40,066	(329,089)	(202,614)
Common Stock issued for interest on Indebtedness	100,000	1,000			1,000
Consolidated net income (loss) for the year ended December 31, 1990				210,278	210,278
	8,740,913	87 409	40,066	(118,811)	8,664

	Shares	Common Stock	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Total
Balance-December 31, 1990	8,740,913	$87,409	$40,066	$(118,811)	$ 8,664
Purchase of Treasury Stock	(400,000)	(10)	-	-	(10)
Net Loss - Nine Months Ended - September 30, 1991	-	-	-	(24,179)	(24,179)
Balance - September 30, 1991	8,340,913	$87,399	$40,066	$(142,990)	$(15,525)

Ex-Cel Resources, Inc.
(A Development-Stage Enterprise)
Statement of Cash Flows
From December 7, 1982 (Inception Date) to September 30, 1991
(Unaudited)

	Nine Months Ended September 30, 1991	Cumulative December 7, 1982 (Date of Inception) To September 30, 1991
Cash Flows From Operating Activities:		
Net (Loss)	$(24,179)	$(142,990)
Adjustment to Reconcile Net Loss to Net Cash (Applied to) Operating Activities:		
Issuance of Common Stock in Payment of Consultants' Fees	-	13,285
Issuance of Common Stock in Payment of Interest	-	2,300
Increase in Accrued Expenses - Others	3,690	15,525
Net Cash (Applied to) Operating Activities	(20,489)	(111,880)
Cash Flows From Investing Activities:		
Issuance of Common Stock To Acquire a Subsidiary	-	64,323
Proceeds From Sale of Subsidiary, Net of Subsidiary Cash Balance Given up	34,820	-
Net Cash Provided By Investing Activities	34,820	64,323
Cash Flows From Financing Activities:		
Purchase of Treasury Stock	(10)	(10)
Proceeds From Issuance of Common Stock	-	28,817
Proceeds From The Sale of Stock Option	-	18,750
(Decrease) in Loans Received From Shareholders	(14,497)	-
Net Cash (Applied to) Provided by Financing Activities	(14,507)	47,557
Net (Decrease) in Cash	(176)	-
Cash at Beginning of Period	176	-
Cash at End of Period	$ -	$ -

Supplemental Disclosure - In 1988, 289,616 Shares Donated to the Company were recorded as Treasury Stock, at par.

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FORM 10-Q
SECURITIES AND EXCHANGE COMMIS
WASHINGTON, D.C. 20549

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92-2273

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number 0-11781

HOSPITAL STAFFING SERVICES, INC.
(Exact name of registrant as specified in its charter)

FLORIDA (State or other jurisdiction of incorporation or organization)	59-2150637 (I.R.S.Employer Identification number)

431)

6245 North Federal Highway, Suite 500
Fort Lauderdale, Florida 33308
(Address of principal executive offices)

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16-16-1
JUL 17 1992

(305) 771 - 0500
Registrant's telephone number, including area code

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Not Applicable
Former name, former address and former fiscal year if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT May 31, 1992
Common Stock, $.001 par value	5,450,020

HOSPITAL STAFFING SERVICES, INC. AND SUBSIDIARIES
FORM 10-Q
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HOSPITAL STAFFING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MAY 31, 1992 AND NOVEMBER 30, 1991

ASSETS

	MAY 31 1992	NOVEMBER 30 1991
	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$2,000,189	$4,408,285
Short-term investments	265,825	7,400,000
Accounts receivable, less allowance for doubtful accounts of $914,575 and $1,020,101, respectively	25,086,585	19,111,190
Prepaid expenses	1,018,917	538,566
Amounts due from officers/directors	315,894	287,916
Income taxes receivable	812,563	-
Deferred income taxes	882,899	623,300
Other	97,799	72,864
Total current assets	30,480,671	32,361,241
PROPERTY AND EQUIPMENT, at cost	3,827,853	3,194,687
Less: Accumulated depreciation and amortization	(1,108,913)	(940,097)
Net property and equipment	2,718,940	2,254,590
INTANGIBLES RELATED TO BUSINESSES ACQUIRED	6,718,963	6,566,675
NON-COMPETITION AGREEMENTS	1,628,250	1,000,000
Total intangibles	8,347,213	7,566,675
Less: Accumulated amortization	(792,693)	(539,434)
Net intangibles	7,554,520	7,027,241
DEPOSITS AND OTHER ASSETS	351,467	223,805
Total non-current assets	10,624,927	9,505,636
Total assets	$41,105,598	$41,866,877

LIABILITIES AND STOCKHOLDERS' EQUITY

	MAY 31 1992	NOVEMBER 30 1991
	(Unaudited)	
CURRENT LIABILITIES:		
Accounts payable	$2,791,971	$4,441,241
Short-term loan payable	1,000,000	3,000,000
Current portion term note payable	1,000,000	1,000,000
Accrued payroll and payroll taxes	3,735,162	3,305,328
Accrued expenses	2,110,755	967,890
Income taxes payable	-	233,201
Total current liabilities	10,637,888	12,847,660
NON-CURRENT PORTION TERM NOTE PAYABLE	1,000,000	1,500,000
OTHER NON-CURRENT LIABILITIES	450,540	399,535
Total liabilities	12,088,428	14,747,195
COMMITMENTS (Note 6)		
STOCKHOLDERS' EQUITY		
Preferred stock-$.001 par value; 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock - $.001 par value; 10,000,000 shares authorized; 5,450,820 and 5,406,907 shares issued and outstanding	5,450	5,407
Additional paid-in capital	20,384,412	20,091,652
Retained earnings	8,639,181	7,034,496
Notes receivable - stockholders	(11,873)	(11,873)
Total stockholders' equity	29,017,170	27,119,682
Total liabilities and stockholders' equity	$41,105,598	$41,866,877

The accompanying notes to consolidated condensed financial statements are an integral part of these consolidated condensed balance sheets.

HOSPITAL STAFFING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MAY 31, 1992 AND MAY 31, 1991 AND FOR THE SIX MONTHS ENDED MAY 31, 1992 AND MAY 31, 1991
(UNAUDITED)

	THREE MONTHS ENDED MAY 31,		SIX MONTHS ENDED MAY 31	
	1992	1991	1992	1991
REVENUE FROM SERVICES	$32,669,965	$22,501,436	$63,110,488	$40,018,244
COST OF SERVICES:				
PROFESSIONAL SALARIES AND PAYROLL TAXES	19,184,111	13,287,683	38,164,170	24,001,809
OTHER PROFESSIONAL EXPENSES	1,582,928	987,570	2,975,351	1,918,999
TOTAL COST OF SERVICES	20,767,039	14,275,253	41,139,521	25,920,808
GROSS MARGIN	11,902,926	8,226,183	21,970,967	14,097,436
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	10,780,461	7,029,610	19,732,329	12,153,903
INCOME FROM OPERATIONS	1,122,465	1,196,573	2,238,638	1,943,533
INTEREST AND OTHER INCOME (EXPENSE):				
INTEREST (EXPENSE)	(65,567)	(162,856)	(158,200)	(250,567)
INTEREST INCOME	48,352	42,002	150,674	78,677
OTHER INCOME, NET	24,333	19,608	400,573	45,996
TOTAL INTEREST AND OTHER INCOME (EXPENSE)	7,118	(101,246)	393,047	(125,894)
INCOME BEFORE PROVISION FOR INCOME TAXES	1,129,583	1,095,327	2,631,685	1,817,639
PROVISION FOR INCOME TAXES	442,758	440,000	1,027,000	719,000
NET INCOME	$686,825	$655,327	$1,604,685	$1,098,639
PRIMARY EARNINGS PER COMMON AND COMMON SHARE EQUIVALENT	$0.12	$0.14	$0.27	$0.25
FULLY DILUTED EARNINGS PER COMMON AND COMMON SHARE EQUIVALENT	$0.12	$0.14	$0.27	$0.25
WEIGHTED AVERAGE COMMON AND COMMON SHARE EQUIVALENTS OUTSTANDING:				
PRIMARY	5,897,601	4,565,454	5,913,565	4,479,082
FULLY DILUTED	5,897,601	4,565,454	5,913,565	4,479,082

The accompanying notes to consolidated condensed financial statements are an integral part of these consolidated condensed statements.

HOSPITAL STAFFING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED NOVEMBER 30, 1991 AND
FOR THE SIX MONTHS ENDED MAY 31, 1992

	Common Stock				
	Number of Shares Outstanding	Amount	Additional Paid-In Capital	Notes Receivable-Stockholders	Retained Earnings
BALANCE, November 30, 1990	4,211,283	$4,211	$9,499,821	($227,011)	$4,323,101
Issuance of common stock, net of offering expenses	1,151,400	1,152	10,278,210	-	-
Exercise of stock options	44,304	44	181,777	-	-
Payment of notes receivable	-	-	-	215,138	-
Tax benefit of disqualifying disposition of incentive stock options	-	-	131,844	-	-
Net income	-	-	-	-	2,711,395
BALANCE, November 30, 1991	5,406,987	5,407	20,091,652	(11,873)	7,034,496
Offering costs of issuance of common stock	-	-	(13,829)	-	-
Exercise of stock options	43,033	43	154,534	-	-
Tax benefit of disqualifying disposition of incentive stock options	-	-	152,055	-	-
Net income	-	-	-	-	1,604,685
BALANCE, May 31, 1992 (Unaudited)	5,450,020	$5,450	$20,384,412	($11,873)	$8,639,181

The accompanying notes to consolidated condensed financial statements are an integral part of these consolidated condensed statements.

HOSPITAL STAFFING SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MAY 31, 1992 AND MAY 31, 1991
(Unaudited)

	SIX MONTHS ENDED MAY 31, 1992	1991
CASH FLOWS (USED) BY OPERATING ACTIVITIES:		
Net income	$1,604,685	$1,098,639
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	573,976	307,321
Provision for losses on accounts receivable	241,986	420,811
Loss (gain) on disposal and retirement of property and equipment	21,115	-
Deferred income tax provision	(179,599)	(209,000)
Changes in assets and liabilities, net of effects of acquisition of Carepoint:		
(Increase) decrease in assets-		
Accounts receivable	(6,217,381)	(3,781,396)
Prepaid expenses and other current assets	(480,351)	(443,347)
Amounts due from officers/directors	(107,978)	(22,809)
Income taxes receivable	(812,563)	98,306
Deposits and other assets	(153,399)	101,873
Increase (decrease) in liabilities -		
Accounts payable	(1,649,270)	1,320,766
Accrued payroll and payroll taxes	429,834	213,469
Accrued expenses	1,842,865	423,102
Other liabilities	51,885	108,964
Income taxes payable	(233,201)	-
Total adjustments	(6,672,961)	(1,461,850)
NET CASH (USED) BY OPERATING ACTIVITIES	(5,068,276)	(363,211)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Sale (purchase) of short-term investments, net	7,134,175	985,000
Capital expenditures	(813,388)	(639,783)
Proceeds from disposal of fixed assets	7,200	-
Payment for purchase of CarePoint	-	(2,808,950)
Payment of earn-out purchase price of Continental	(600,000)	(53,401)
Purchase of intangible asset	(117,200)	-
Payment for purchase of a business	(35,000)	-
Payment for non-competition agreement	(620,250)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,947,457	(2,517,134)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Payments under short term loan payable	(2,000,000)	-
Payments under term note payable	(500,000)	-
Line of credit borrowings	2,000,000	4,000,000
Line of credit repayments	(2,000,000)	(1,000,000)
Proceeds from issuance of common stock	154,577	10,000
Offering costs of issuance of common stock	(13,829)	-
Tax benefit of disqualifying disposition of incentive stock options	152,055	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(2,207,197)	3,010,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,328,016)	129,655
Cash and cash equivalents at beginning of period	4,408,205	466,223
Cash and cash equivalents at end of period	$2,080,189	$595,878
Supplemental Cash Flow Disclosures:		
Cash paid: Income Taxes	$2,098,685	$850,786
Interest	$174,282	$214,000

The accompanying notes to consolidated condensed financial statements are an integral part of these consolidated condensed statements.

HOSPITAL STAFFING SERVICES, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
May 31, 1992
(Unaudited)

NOTE 1: Significant Accounting Policies -

The accounting policies followed by Hospital Staffing Services, Inc. and subsidiaries (the "Company") for quarterly financial reporting purposes are the same as those disclosed in the Company's annual financial statements. In the opinion of management, the accompanying consolidated condensed financial statements reflect all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation of the information presented.

The quarterly consolidated condensed financial statements herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the Company's management believes the disclosures are adequate to make the information not misleading, it is suggested that these quarterly consolidated condensed financial statements be read in conjunction with the audited annual financial statements and footnotes thereto.

Certain amounts in the accompanying consolidated condensed 1991 financial statements have been reclassified to conform to the 1992 presentation.

NOTE 2: Acquisitions -

Effective February 24, 1991, the Company acquired substantially all of the assets, exclusive of accounts receivable, of CarePoint Personal Services d/b/a CarePoint Nursing Services ("CarePoint") for $2,300,000 in cash and a three-year non-competition agreement at a cost of $500,000. The acquisition was accounted for as a purchase, and, accordingly, the net assets acquired and results of operations of CarePoint have been included in the Company's consolidated financial statements commencing on February 24, 1991.

The following unaudited pro forma summary for the six months ended May 31, 1991 combine the consolidated results of operations of the Company and CarePoint as if the acquisition had occurred at the beginning of the period presented, after giving effect to certain adjustments, including amortization of intangibles related to the business acquired and non-competition agreement, interest expense on the acquisition's debt and related income tax effects. This pro forma summary does not necessarily reflect the actual results which would have occurred if the acquisition of CarePoint had taken place on the assumed date, nor are they necessarily indicative of the results of future consolidated operations.

For The Six Months Ended May 31, 1991:

Revenue from services	$42,621,000
Net income	$ 1,102,000
Primary earnings per common and common share equivalent	$ 0.25
Primary weighted average common and common share equivalents outstanding	4,479,082

On May 28, 1992 the Company signed a letter of intent to acquire VIP Health Services, Inc. and VIP Health Care Services, privately-held home healthcare companies that share common ownership and service the New York metropolitan area, for a combined purchase price of approximately $8 million in cash, plus an amount equal to the net book value of the two companies (principally accounts receivable). The closing of the transaction is anticipated to take place in September 1992, subject to the Company's due diligence and New York State licensure requirements.

NOTE 3: Debt -

During the quarter ended May 31, 1992 the Company obtained a $13.5 million line of credit to replace its $5.5 million line of credit. The new line of credit was obtained to satisfy future working capital requirements, retire the remaining outstanding borrowings under the term note and term loan, and to provide a $1.5 million standby letter of credit for the Company's self-funded workers compensation program. The principal borrowing amounts which can be outstanding in the aggregate under the line of credit, the term note, the term loan and the standby letter of credit may not exceed

$13.5 million at any one time. The instruments require monthly interest payments equal to the bank's prime rate, are secured by accounts receivable, and require the Company to adhere to certain financial covenants. The Company was in compliance with such covenants as of May 31, 1992.

Outstanding principal borrowings under the term note as of May 31, 1992 mature as follows:

Due Date	Amount
July 5, 1992	$ 500,000
January 5, 1993	500,000
July 5, 1993	500,000
January 5, 1994	500,000
	2,000,000
Less: Current portion	1,000,000
Non-current portion	$1,000,000

The term loan has a $1 million principal balance outstanding at May 31, 1992 and matures in two equal monthly installments through July 5, 1992.

There were no principal borrowings outstanding at May 31, 1992 under the line of credit, which matures on May 5, 1993.

NOTE 4: Stockholders' Equity -

During the three months ended May 31, 1992 27,500 options were granted under the Company's 1990 stock option plan at exercise prices of $9.00 and $10.25 per share, vesting ranges from immediately to over three years, and exercisability ranges from two to five years. Also during the three months ended May 31, 1992 options under the Company's 1983 stock option plan were exercised for 6,833 shares of common stock at exercise prices of $5.875 and $6.50 per share. Options were exercised under the Company's 1990 stock option plan during the quarter ended May 31, 1992 for 11,200 shares of common stock at an exercise price of $3.00 per share.

In June 1992, the following occurred:

On June 1, 1992 the Company's common stock commenced trading on the New York Stock Exchange pursuant to a Form 8-A Registration Statement declared effective by the Securities and Exchange Commission on May 29, 1992. In connection therewith, the Company's common stock was voluntarily delisted from NASDAQ at the close of business on May 29, 1992.

Effective June 3, 1992 the Company amended its arcticles of incorporation to increase its authorized number of shares of common stock, par value $.001 per share, to 20,000,000 shares as approved by its shareholders on May 29, 1992.

On June 16, 1992 the Company amended and restated the 1990 stock option plan to increase the number of shares of common stock which may be issued thereunder to 770,000 shares as approved by its shareholders on May 29, 1992.

NOTE 5: Earnings Per Common and Common Share Equivalent -

Earnings per common and common share equivalent are based on the combined weighted average number of common shares and common share equivalents outstanding which includes the assumed exercise of those stock options and warrants which are dilutive.

The Company utilizes the treasury stock method for computing earnings per share. Under the treasury stock method the dilutive effect of outstanding common stock equivalents for determining primary earnings per share is computed using the average market price during the period, whereas the dilutive effect of outstanding common stock equivalents for determining fully diluted earnings per share is computed using the market price as of period end, if greater than the average market price.

NOTE 6: Commitments -

Rents:

The Company conducts a major portion of its operations from various leased office facilities.

The Company has a ten year, non-cancelable operating lease agreement for its corporate office facility. While the lease provides the Company with a free rent period, the accompanying statements of operations reflects rent expense on a straight-line basis over the term of the lease. Other non-current liabilities in the accompanying consolidated condensed balance sheets represents the pro rata future payments due under the terms of the lease agreement.

Future minimum lease payments under all non-cancelable operating lease agreements with remaining lease terms in excess of one year as of May 31, 1992 are as follows:

Fiscal Year	Amount
1992	$ 651,671
1993	1,153,626
1994	911,810
1995	645,297
1996	376,929
Thereafter	1,137,560
Total	$4,876,893

HOSPITAL STAFFING SERVICES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
May 31, 1992

Liquidity and Capital Resources -

Prior to its acquisition of CHA, the Company funded its growth internally and through net proceeds of $9,036,000 from two public offerings. In order to finance a portion of the acquisition costs of CHA and CarePoint in July 1990 and February 1991, respectively, and to satisfy related future working capital requirements the Company became a borrower under a line of credit, term note and term loan.

In April 1992, the Company obtained a $13.5 million line of credit primarily to meet its projected increased working capital needs in response to the significant internal growth achieved on the acquired businesses and to retire the then remaining outstanding borrowings under the term note and term loan. The debt instruments require monthly interest payments equal to the bank's prime rate, are secured by accounts receivable, and require the Company to adhere to certain financial covenants. The Company was in compliance with such covenants as of May 31, 1992.

In October 1991, the Company completed a secondary public offering for which the Company sold 1,151,400 shares of common stock at aggregate proceeds, net of underwriting discounts, commissions, and other offering expenses of $10,279,362.

During the quarter ended May 31, 1992, the Company generated approximately $800,000 in cash from operating activities. This cash was primarily attributable to income from operations and collection of accounts receivable.

In addition to cash flow from operating activities the Company's overall cash position is significantly effected by its investing and financing activities. Significant investing activities during the second quarter of 1992 consisted of approximately $500,000 in capital expenditures. Financing activities principally consisted of payments according to the scheduled maturities of debt.

As of May 31 , 1992, the Company had approximately $19.8 million of working capital and approximately $2.3 million of cash and short-term investments. The ratio of current assets to current liabilities at May 31, 1992 was 2.9 to 1. As of May 31, 1992, the Company had no other commitments that would require large or unusual amounts of cash except for office rents and computer hardware and software.

Results of Operations - Three Months Ended May 31, 1992 Compared With Three Months Ended May 31, 1991

Revenue for the quarter ended May 31, 1992 increased approximately $10.2 million (45%) over revenue for the quarter ended May 31, 1991. This increase is primarily attributable to the internal growth the Company has experienced on the home care branches it acquired from CHA. Additionally, revenue of the Company's travel nurse program for the second quarter of fiscal 1992 was significantly higher than the comparable quarter of fiscal 1991 as the number of professionals working in 1992 was higher.

The Company's gross margin of 36.4% of revenue for the second fiscal quarter of 1992 is consistent with the three month period ending May 31, 1991. The Company's gross margin is subject to fluctuation due to a number of factors such as billing rates, pay rates and cost of travel and housing. The impact of these factors may vary due to competitive and seasonal factors as well as the geographic mix and type of service being performed by the Company.

Selling, general and administrative expenses as a percentage of revenue increased to 33% during the three months of 1992 from 31.3% during the three months of 1991. Most of this variation is attributable to the increasing percentage of the Company's medicare business relative to its consolidated operations; 53% and 34% in the second fiscal quarters of 1992 and 1991, respectively. Medicare requires substantially more administrative costs than does the Company's proprietary business due to its regulatory environment.

Interest expense decreased between the two periods as the average indebtedness amount outstanding decreased consistent with the Company's payments according to scheduled maturities of its term note and term loan.

HOSPITAL STAFFING SERVICES, INC.
PART II
May 31, 1992

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) On May 29, 1992, the Registrant held its 1991 Meeting of Stockholders.

(b) The following directors were re-elected at such Annual Meeting for the ensuing year:

Ronald A. Cass
Leonard J. Cass
Brian M. Lechner
Roderick C. Dickinson
William F. McConnell
Jack R. Kronfeld
Hector Luis Ziperovich, M.D.

There were no directors whose term continued past the Annual Meeting.

(c) The Registrant's shareholders vote to amend the Registrant's Articles of Incorporation to increase the total number of authorized shares of Common Stock to 20,000,000 shares. The number of affirmative votes cast with respect to this matter was 4,009561 and the number of negative votes cast with respect to this matter was 407,221.

The Registrant's shareholders also voted to amend the Company's Amended and Re-stated 1990 Stock Option Plan to provide for an increase in the number of shares of Common Stock which may be issued thereunder from 500,000 shares to 770,000 shares. The number of affirmative votes cast with respect to this matter was 3,769,308 and the number of negative votes cast with respect to this matter was 586, 841.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K

(c) A Form 8-K dated May 28, 1992 (date of earliest event reported) was filed with the Securities and Exchange Commission on June 8, 1992, with respect to events described under "ITEM 5. OTHER EVENTS." An exhibit described under ITEM 7. (b) was also filed therewith.

HOSPITAL STAFFING SERVICES, INC.
SIGNATURES
May 31, 1992

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOSPITAL STAFFING SERVICES, INC.

By: ______________________
Ronald A. Cass, Chairman and
Chief Executive Officer

By: ______________________
Leonard J. Cass, President
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d)

For the quarterly period ended May 30, 1992
Commission file number 0-12991

THE LANGER BIOMECHANICS GROUP, INC.

(Exact name of registrant as specified in its charter.)

NEW YORK	11-2239561
(State or other jurisdiction of incorporation or organization.)	(I.R.S. Employer Identification No.)

21 EAST INDUSTRY COURT, DEER PARK, NY 11729

(Address of principal executive offices.) (Zip Code)

Registrant's telephone number, including area code (516) 667-1200

NOT APPLICABLE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $.02 Par Value -- 2,540,953 shares as of June 19, 1992

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THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets --
May 30, 1992 and February 29, 1992.

Condensed Consolidated Statements of Operations -- Three months ended
May 30, 1992 and May 31, 1991.

Condensed Consolidated Statements of Cash Flows -- Three months ended
May 30, 1992 and May 31, 1991.

Notes to Condensed Consolidated Financial Statements -- Three months
ended May 30, 1992.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations.

PART II. OTHER INFORMATION

None.

Signatures

PART I. FINANCIAL INFORMATION

THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

Assets	May 30, 1992 (unaudited)	Feb. 29 1992
Current Assets:		
Cash and cash equivalents	$ 853,041	$ 919,447
Accounts receivable, net of allowance for doubtful accounts of $88,000 and $79,000, respectively	1,997,865	1,764,059
Inventories, net (Note 2)	1,440,309	1,445,809
Other current assets	406,770	372,265
Total current assets	4,697,985	4,501,580
Property and equipment, net	1,116,332	1,124,947
Equipment held for disposition	75,000	75,000
Other assets	248,945	248,630
	6,138,262	5,950,157
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current maturities of notes payable	64,413	58,874
Accounts payable	176,152	153,044
Accrued liabilities:		
Accrued payroll and related payroll taxes	311,346	316,366
Unearned revenue	464,800	479,013
Other current liabilities	679,051	665,198
Total current liabilities	1,695,762	1,672,495
Long-term notes payable, net of current maturities	46,186	58,167
Long-term bank debt	1,000	1,000
Accrued pension expense	225,128	219,128
Unearned revenue	137,396	143,355
Capital lease obligations	51,835	57,835
Deferred Taxes	4,389	4,389
Minority interest in subsidiary	13,152	5,122
	2,174,848	2,161,491
Commitments and contingencies		
Stockholders' equity		
Common stock, $.02 par value. Authorized 10,000,000 shares; outstanding 2,540,953 shares respectively	50,820	50,820
Additional paid-in capital	6,241,775	6,241,775
Accumulated deficit	(2,054,224)	(2,234,346)
Aggregate adjustment resulting from translation of financial statements into U.S. dollars	0	5,374
Minimum pension liability adjustment	(274,957)	(274,957)
Total stockholders' equity	3,963,414	3,788,666
	$6,138,262	$5,950,157

See notes to condensed consolidated financial statements.

THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended: May 30, 1992	May 31, 1991
Net sales (Note 3)	$3,226,832	$3,382,082
Cost of sales	1,728,988	1,760,471
Gross profit	1,497,844	1,621,611
Selling expenses	490,024	509,008
General and administrative expenses	808,489	1,424,895
Research and development expenses	21,942	76,208
Income (loss) from operations	177,389	(388,500)
Other Income, principally interest	28,816	52,697
	206,205	(335,803)
Other Expense, principally interest	6,009	37,763
Income (loss) before minority interest and income taxes	200,196	(373,566)
Minority Interest	8,030	16,634
Income (loss) before income taxes	192,166	(390,200)
Provision for income taxes	17,417	(19,510)
Net income (loss)	$ 174,749	$ (370,690)
Per share data (Note 1):		
Weighted average number of shares of common stock outstanding	2,679,580	2,586,238
Net income (loss) per share of common stock outstanding	$ 0.07	$ (0.14)

See notes to condensed consolidated financial statements.

THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended: May 30, 1992	Three Months Ended: May 31, 1991
Cash flows from operating activities:		
Net income (loss)	$174,749	$(370,690)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Deferred foreign tax benefit	-	(438)
Depreciation and amortization	75,973	366,857
Minority interest in income	8,030	16,634
Changes in operating assets and liabilities:		
Increase in accounts receivable	(233,806)	(44,267)
Decrease in inventories	5,500	53,756
(Increase) decrease in prepaid expenses and other assets	(34,820)	217,177
Increase in pension liability	6,000	-
Increase (decrease) in accounts payable and accrued liabilities	25,940	(337,234)
Decrease in unearned revenue	(20,172)	(7,689)
Net cash provided by (used in) operating activities	7,394	(105,894)
Cash flows from investing activities:		
Capital expenditures	(67,358)	(18,725)
Net cash used in investing activities	(67,358)	(18,725)
Cash flows from financing activities:		
Proceeds from exercise of stock options	-	6,750
Principal payments of notes payable	(6,442)	(27,542)
Net cash provided by (used in) financing activities	(6,442)	(20,792)
Net decrease in cash and cash equivalents	(66,406)	(145,411)
Cash and cash equivalents at beginning of year	919,447	1,667,599
Cash and cash equivalents at end of period	$853,041	$1,522,188
Supplemental disclosures of cash flow and non-cash flow information:		
Cash paid for interest	$ 6,061	$ 39,705
Capital lease obligations incurred for the purchase of new equipment	-	-

See notes to condensed consolidated financial statements.

THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

May 30, 1992

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

A) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for the period ended May 30, 1992 are not necessarily indicative of the results that may be expected for the year ending February 28, 1993. For further information, refer to the consolidated statements and footnotes thereto for the fiscal year ended February 29, 1992 in the Company's 1992 Annual Report.

B) Income per Share

Net income (loss) per share includes the effect of common stock equivalents comprised of incentive stock options granted under the Company's qualified stock option plan and non-qualified stock options.

C) Provision for Income Taxes

The benefit from income taxes for period ended May 30, 1992 was calculated at an effective annual tax rate of 9% reflecting the utilization of available net operating loss carryforwards. Since SFAS No. 96 was implemented in fiscal 1989, the realization of a portion of the Company's net operating loss carryforwards was reflected as a reduction of the provision for income taxes, rather than an extraordinary item.

THE LANGER BIOMECHANICS GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued...)

NOTE 2

The Company did not take a physical inventory as of May 30, 1992. Inventories and cost of sales for the interim period were based on the Company's perpetual inventory records.

	May 30, 1992 (unaudited)	February 29, 1992
Inventories consist of:		
Raw materials and supplies	1,281,395	1,290,565
Work-in-process	87,539	79,463
Finished goods	175,413	179,819
Total Inventories	1,544,347	1,549,847
Less: Allowance for obsolescence	104,038	104,038
Net Inventories	1,440,309	1,445,809

NOTE 3 - SEASONALITY

Revenues derived from the Company's sale of orthotic devices, a substantial portion of the Company's operations, have historically been significantly higher in the warmer months of the year.

investments and service charge income generated from the Company's accounts receivable. Other expense consists primarily of interest on the Company's bank debt and notes payable. Net other income was $23,000 for the first quarter compared with $15,000 in the comparable prior year's quarter representing an increase of 53.3%. This increase was achieved through reduction of bank debt.

MINORITY INTEREST

The Managing Director of our English subsidiary maintains a 33% ownership share of the business.

PROVISION FOR INCOME TAXES

The Company has provided an effective tax rate of 9% of pre-tax profits after utilizing available net operating loss carry forwards.

NET INCOME (LOSS)

The Company earned $175,000 or $.07 per share for the recently concluded quarter as compared to a loss of $371,000 or $(.14) per share generated in the prior year's quarter. This turnaround in profit was achieved through reduction of operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

As of May 30, 1992, the Company had $[illegible]53,000 in cash and cash equivalents. Working capital, as of May 30, 1992 was $3,002,000 versus $2,829,000 at February 29, 1992, an increase of $173,000. The Company also has a $1,750,000 revolving credit-term loan agreement. All but $1,000 remains unused. Under the terms of that agreement, the Company would have been able to borrow up to $1,741,000 as of May 30, 1992.

The Company believes its capital position is adequate to met anticipated cash needs for at least the next twelve months. The Company anticipates that capital expenditures over the next twelve months will be from $125,000 to $200,000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Langer Biomechanics Group, Inc

(REGISTRANT)

DATE: July 1, 1992

By:
H. John Altorfer, President and
Chief Executive Officer

By:
Donald M. Carbone, Vice President -
Finance and Chief Financial
Officers (Principal Financial
Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Langer Biomechanics Group, Inc.

(REGISTRANT)

DATE: July 1, 1992

By: /s/ H. JOHN ALTORFER
H. John Altorfer, President and
Chief Executive Officer

By: /s/ DONALD M. CARBONE
Donald M. Carbone, Vice President -
Finance and Chief Financial
Officers (Principal Financial
Officer)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From ______ to ______

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Commission File No. 0-9036

LANNETT COMPANY, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of or other jurisdiction of incorporation or organization)

23-0787-699
(I.R.S. Employer Identification Number)

9000 State Road, Philadelphia, Pennsylvania 19136
(Address of Principal Executive Offices)

(215) 333-9000
(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes _X_ No ___
(2) Yes _X_ No ___

Common Stock outstanding as of February 3, 1992: 310,838 shares of Common Stock, $.001 par value per share.

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Page No.

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Statement of Income of the Company and Astrochem for the three months and nine months ended March 31, 1992 and 1991 4

Statement of Cash Flows for the Company and Astrochem for the nine months ended March 31, 1992 and 1991 5

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LANNETT COMPANY, INC.
AND ITS WHOLLY OWNED SUBSIDIARY
ASTROCHEM CORPORATION
BALANCE SHEET

	3/31/92 (unaudited)	6/30/91 (audited)
Assets		
Current Assets:		
Cash and short term investments	$48,684.91	$130,286.12
Accounts receivable	31,168.17	227,387.80
Inventories (Note 2)	120,606.71	77,445.27
Prepaid expenses	22,617.17	50,168.63
Total current assets	$223,076.96	$485,287.82
Investments (at cost) (Note 3)	5,454.81	5,454.81
Property and Equipment:		
Land	33,414.25	33,414.25
Building and improvements	918,516.64	397,580.76
Machinery and equipment	760,221.17	339,144.15
Furniture, fixtures and office equipment	129,567.09	5,491.37
Total	$1,841,719.15	$775,630.53
Less: Accumulated depreciation	502,515.09	500,156.07
Property and equipment, net	1,339,204.06	275,474.46
Other Assets	$1,524.90	$1,524.90
TOTAL	$1,569,260.73	$767,741.99

	3/31/92 (unaudited)	6/30/91 (audited)
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable - trade	$257,404.88	$233,472.75
Notes payable - bank	97,332.00	158,253.76
Loans payable (Note 3)	26,000.00	26,000.00
Accrued and withheld payroll taxes	2,083.00	1,920.06
Accrued expenses	2,500.00	18,190.04
Total current liabilities	$385,419.88	$437,836.61
Deferred Liabilities:		
Notes payable - bank	0.00	730.44
Loan payable - shareholder	2,261,968.88	0.00
Stockholders' Equity: (Note 3)		
Common stock, no par value stated value $.20 per share, authorized 500,000 shares; issued 381,135 shares	76,227.00	76,227.00
Treasury stock at cost	(355,283.50)	(355,283.50)
Additional paid-in capital	469,837.95	469,837.95
Retained earnings	(1,268,909.48)	138,393.49
Total stockholders' equity	(1,078,128.03)	$329,174.94
TOTAL	$1,569,260.73	$767,741.99

* - All intercompany transactions have been eliminated.

LANNETT COMPANY, INC.
AND ITS WHOLLY OWNED SUBSIDIARY
ASTROCHEM CORPORATION
STATEMENT OF INCOME
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	3/31/92	3/31/91	3/31/92	3/31/91
Net sales	$25,532.04	$322,425.06	$206,831.12	$903,471.96
Cost of sales	177,539.15	252,275.99	540,355.82	718,093.34
Gross profit	(152,007.11)	70,149.07	(333,524.70)	185,378.62
Selling, general and administrative expenses	247,792.40	85,774.32	910,618.82	242,383.07
Operating profit	(399,799.51)	(15,625.25)	(1,244,143.52)	(57,004.45)
Other income (Note 5)	0.00	1,500.00	32,203.94	80,515.16
	(399,799.51)	(14,125.25)	(1,211,939.58)	23,510.71
Other expense (Note 6)	9,361.24	0.00	195,363.39	0.00
Income before income tax	(409,160.75)	($14,125.25)	($1,407,302.47)	$23,510.71
Provision for income tax	0.00	0.00	0.00	0.00
Net income	$(409,160.75)	($14,125.25)	($1,407,302.97)	$23,510.71
Net income per common share	$(1.32)	$(.05)	$(4.53)	$.08
Shares used to compute per share earnings	310,383	310,383	310,383	310,383

* - All intercompany transactions have been eliminated.

LANNETT COMPANY, INC. AND ITS WHOLLY OWNED SUBSIDIARY, ASTROCHEM CORPORATION

STATEMENT OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended			
	3/31/92		3/31/91	
Net Cash Flows From Operating Activities				
Net Income	$(1,403,242.62)		$23,510.71	
Adjustment for differences between income flows and cash flows from operating activities:				
Add: Depreciation	21,000.00		20,100.00	
Decrease in inventories	0.00		0.00	
Decrease in prepaid expenses	27,551.48		23,971.35	
Increase in accounts payable	23,932.13		62,104.21	
Increase in accrued payroll taxes and expenses	0.00		30.70	
Decrease in accounts receivable	196,219.63		0.00	
Less: Increase in Accounts Receivable	0.00		(12,179.55)	
Decrease in accrued & withheld payroll taxes and expenses	(15,427.10)		(4,247.20)	
Increase in inventories	(43,161.44)		(66,812.30)	
Decrease in accounts payable	0.00		0.00	
Net Cash Provided Or (Used) From Operating Activities		($1,193,127.94)		$46,477.92
Cash Flow From Investing Activities				
Payments for purchase of equipment and improvements	(1,089,989.95)		(7,734.46)	
Proceeds from sale of bonds	0.00		4,500.00	
Proceeds from sale of equipment	1,200.00		0.00	
Net Cash Provided or (Used) From Investing Activities		(1,088,789.95)		(3,234.46)
Cash Flows From Financing Activities				
Purchase of treasury stock	0.00		(138.00)	
Payments made to reduce notes payable to banks	(61,652.20)		(14,191.32)	
Increase in loans from shareholder	2,261,968.88		0.00	
Net Cash Provided or (Used) From Financing Activities		2,200,316.68		(14,329.32)
Net Increase or (Decrease) in Cash		(81,601.21)		28,914.14
Cash - Beginning of Period		130,286.12		115,521.64
Cash - End of Period		$48,684.91		$144,435.78

NOTE: All investing and financing transactions affecting cash are reflected in the above Statement of Cash Flows.

- All intercompany transactions have been eliminated.
- Gains and losses from the sale of fixed assets have been eliminated from net income for cash flow statement purposes for the period ended 3/31/92. The net (loss) from sale of fixed assets during this period amounted to $(4,060.35).

LANNETT COMPANY, INC.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 1992

1. Basis of Presentation

The condensed financial statements included in this Quarterly Report are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 1992 have been made. The results of operations for such interim period is not necessarily indicative of the results to be expected for the entire year.

2. Inventories

A physical inventory is taken each year end on June 30th. The first-in first-out method of inventory pricing is used. Interim financial statements reflect inventory value determined by adding the cost of inventory acquired during the period to the prior period's inventory and subtracting a percentage of sales, estimated to reflect inventory cost of goods sold.

3. Investment in and Loans to Subsidiary

The Company owns all the issued and outstanding stock of Astrochem Corporation, which the Company acquired for $193,442.50, recorded on the books of Astrochem as follows:

Capital stock	$ 100,000.00
Paid in additional capital	93,442.50
Total	$ 193,442.50

The Company's investment in Astrochem Corporation has been eliminated from the consolidated balance sheet. Loans made by the Company to Astrochem Corporation in the amount of $376,689.51 have also been eliminated from the consolidated balance sheet.

4. Other Subsidiaries

The Company also wholly owns three other subsidiaries that have fiscal years ending June 30, September 30, and December 31 respectively. These companies have had minimal operations during the past year, with no material effect on the earnings or financial condition of the consolidated group.

5. Other Income

Other income for the period ended 3/31/92 consisted of:

Interest earned on savings account	$ 203.94
Sale of trade name	32,000.00
Total Other Income	$32,203.94

Other income for the period ended 3/31/91 consisted of the following:

Sale of trade name	$75,000.00
Interest earned on savings accounts and certificates of deposit	5,515.16
Total Other Income	$80,515.16

6. Other Expense

Other expense for the period ended 3/31/92 consisted of the following:

Net (loss) on sale of fixed assets	$4,060.35
Costs incurred to dispose of inventory - Refer to Note 7	68,855.53
Costs incurred to remove hazardous chemicals of the discontinued Astrochem Corporation.	122,447.51
Total Other Expense	$195,363.39

7. Disposition of Inventory

The Company has initiated audits of applications, systems and procedures to determine the conformity to the Food and Drug Administration (FDA) and other regulatory requirements of all pharmaceutical products manufactured by the Company. Because of the difficulty inherent in satisfactorily completing such an audit, the results of preliminary findings, and meetings between the Company and the FDA, the Company disposed of a substantial portion of its inventory prior to the completion of all such audits. Since a portion of this inventory was on hand at June 30, 1991, a write down of $119,808.00 was recorded and charged to operations in the year ended June 30, 1991, thus increasing cost of sales by $119,808.00 and reducing operating income by the same amount, for the fiscal year ended June 30, 1991. The remaining portion of disposed inventory was charged to current operations for the three month period ended September 30, 1991. The amount of inventory write down applicable to this period amounted to $10,987.00, thus increasing cost of sales and reducing operating income by the same.

8. Suspension of Manufacturing Operations

On or about August 25, 1991, the Company temporarily suspended manufacture and distribution of all pharmaceutical products in order to complete the audits referred to in Note 7 above, and to commence a multi-stage modernization plan to improve manufacturing, inventory and quality control capabilities. Most of the improvements have been completed and the Company has begun testing new equipment and revalidating its processes and formulas.

9. Financing Package

At a Board of Directors meeting on August 14, 1991, the Company expanded its Board of Directors, elected two new directors, and appointed new management to operate the Company. In addition, it approved a $4 million financing package proposed to it by a shareholder. The financing package provides for a $2 million term loan, which is convertible into stock, and a $2 million line of credit. The loans are cross-collateralized with substantially all of the Company's assets. The loans also contain numerous other covenants, restrictions and conditions. The proceeds are to be used in part for the modernization plan and remedial actions discussed in Notes 8 above and 10 below.

10. Remediation

The Company is monitoring and remediating soil and ground water contamination at its facility pursuant to plans submitted to and approved by the appropriate governmental authorities.

11. Merger

During December 1991, pursuant to approval of its shareholders, the Company, which had been a Pennsylvania corporation, merged into its wholly-owned Delaware subsidiary which was created solely for the purpose of such merger.

12. Stock Split

On April 20, 1992, the Company issued shares of stock representing a 4-for-1 stock split to shareholders of record on March 27, 1992. Neither the number of shares nor the per share earnings figures in these financial statements reflect the split.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

During the current fiscal year, the Company initiated audits of its applications, systems and procedures to determine their conformity to the regulatory requirements of the United States Food and Drug Administration and the United States Drug Enforcement Agency. The Company has disposed of substantial inventory which was obsolete or which it was unable to confirm met regulatory requirements.

As of August, 1991, management of the Company temporarily suspended manufacturing operations in order to facilitate and expedite the audits, the disposal of inventory in accordance with applicable regulations, and the complete renovation of the Company's facility.

The Company has largely completed the renovations and has begun testing new equipment and validating its processes and formulas. Until such testing and validation has been satisfactorily completed, the Company will not be generating revenues. The Company expects that when it recommences manufacturing, initial sales will be at minimal levels until full operations can resume later in calendar year 1992. Management is currently reviewing product profitability to minimize the adverse effect of the suspension of operations.

Except as set forth in this Quarterly Report, there has been no unusual or infrequent events or transactions, significant economic changes or any known trends or uncertainties which have, or are reasonably expected to have, a material impact upon the results of operations of the Company.

Nine Months Ended March 31, 1992 Compared to the Nine Months Ended March 31, 1991

Due to the suspension of manufacturing operations, the Company's net sales have decreased 77% from $903,472 for the nine-month period ended March 31, 1991 (the "1991 Period") to $206,831 for the nine-month period ended March 31, 1992 (the "1992 Period"). However, cost of sales decreased only 25% from $718,093 in the 1991 Period to $540,356 in the 1992 Period. This reduction coupled with the decrease in net sales, resulted in a decrease of 280%, or $518,903, in gross profit during the 1992 Period as compared to the 1991 Period. Operating expenses increased $668,236 from $242,383 in the 1991 Period to $910,619 in the 1992 Period principally due to costs associated with the above-described audits, an increase in administrative expenses including, among others, salaries payable, and legal expenses, disposal of inventory, and remediation of environmental concerns. Added to that the expense to dispose of hazardous materials, net income decreased $1,187,714, from a loss of $57,004 in the 1991 Period to a loss of $1,244,144) in the 1992 Period.

Quarter Ended March 31, 1992 Compared to the Quarter Ended March 31, 1991

Primarily because the Company ceased manufacturing operations during August 1991, the Company's net sales decreased 92% from $322,425 for the fiscal quarter ended March 31, 1991 (the "1991 Quarter") to $25,532 for the fiscal quarter ended March 31, 1992 (the "1992 Quarter"). Cost of sales decreased 30% from $252,276 in the 1991 Quarter to $177,539 in the 1992 Quarter. Gross profit decreased 317%, or $222,156, during the 1992 Quarter as compared to the 1991 Quarter. Operating expenses increased $162,018 from $85,774 for the 1991 Quarter as compared to $247,792 for the 1992 Quarter largely due to costs associated with the disposal of inventory, environmental remediation and an increase in administrative expenses, before expenses of $9,361 incurred during the 1992 Quarter to remove hazardous chemicals. Net income decreased $395,036, from a loss of$14,125) in the 1991 Quarter to a loss of $409,161 in the 1992 Quarter.

Liquidity and Capital Resources

Net working capital decreased from $47,451 to $(162,343) from the beginning to the end of the 1992 Period, while the current ratio decreased from 1.11 to 0.58, cash and short-term investments decreased from $130,286 to $48,685, long-term debt increased from $0.00 to $2,261,969, and shareholders' equity decreased from $138,175 to $(1,078,128). Net cash provided from operating activities decreased from $46,478 in the 1991 Period to $(1,193,128) in the 1992 Period, primarily due to a decrease of $1,426,753 in net income, and a $196,220 decrease in accounts receivable. In addition, during the 1992 Period, the Company spent $1,089,990 to purchase new equipment and make improvements to its facility and $61,652 to reduce a loan payable to its bank. Because the Company received funds in the form of a loan from a shareholder in the amount of $2,261,969, the net decrease in cash during the 1992 Period was only $81,601, as compared to a net increase in cash during the 1991 Period of $28,914. This result, coupled with the amount of cash on hand at the beginning of the respective 9-month periods, yielded available cash at the end of the 1992 Period of $48,685, a decrease of $95,751 from $144,436 at the end of the 1991 Period.

On August 14, 1991, the Board of Directors approved a business plan (the "Business Plan") proposed by Mr. William Farber, a principal shareholder and current chairman. Pursuant to the Business Plan, Mr. Farber proposed to provide the Company with a financing package consisting of an aggregate credit facility in the amount of $4,000,000. Up to $2,000,000 will be provided for the Company's use as a line of credit (the "Line of Credit"), evidenced by a promissory note bearing interest at the rate of prime plus 1% per annum, and $2,000,000 will be provided as a term loan (the "Term Loan") evidenced by a 9% Convertible Debenture (the "Debenture"), convertible at any time prior to payment in full at the conversion rate of 250 shares of common stock for each $1,000 of outstanding indebtedness. The proceeds of the Term Loan and the Line of Credit have and will be used to renovate the facility, acquire new equipment, remove the Astrochem chemicals, validate the Company's formulas and processes, address whatever remedial actions are indicated and retain new management. Management anticipates that the funding provided under the Business Plan will be sufficient for the intended purposes.

The Company's Board of Directors approved the implementation of the Business Plan, having realized that the Company required an immediate large infusion of cash to address the Company's remedial concerns, to undertake the modernization of the Company's facility and operations and to continue operating as a going concern. The Company was not in a financial position to enable it to obtain such financing from conventional sources, or to make regular monthly payments to reduce such loans if they were, in fact, obtained. At the 1991 Annual Meeting of Shareholders, held on December 6, 1991, the Company's shareholders approved a merger of the Company into a newly-formed Delaware corporation (the "Merger"), which was effected during December 1991. Consummation of the Merger was a condition to full funding of the Line of Credit and Term Loan, and was required to facilitate the Business Plan and, more particularly, the conversion feature of the Debenture.

The Company is a defendant in several legal actions which, if decided against the Company, could have a material adverse effect on the financial condition of the Company. See "Part II, Item 1. Legal Proceedings."

In addition, the Company has been advised that various governmental agencies are investigating certain of the prior storage and disposal practices implemented by past management with respect to certain drums of chemicals of Astrochem Corporation, the Company's wholly-owned subsidiary. In the event the Company should also become the focus of this investigation, it may become subject to fines and penalties which could have a material adverse effect on the financial condition of the Company.

Inflation

The current status of inflation has not had a material effect on the operations of the Company.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings.

The Company is engaged in an industry which is subject to considerable government regulation relating to the development, manufacturing and marketing of pharmaceutical products. Accordingly, in the ordinary course of business, the Company periodically responds to inquiries or engages in administrative and/or judicial proceedings involving regulatory authorities, particularly the Food and Drug Administration and Drug Enforcement Agency.

(a) Stilbestrol

The Company is currently engaged in several civil class actions as a co-defendant with many other manufacturers of Stilbestrol, a synthetic hormone. The Company is being represented in many of such actions by an insurance company with which the Company maintained insurance coverage during the time period that damages are alleged to have occurred. The insurance company has denied coverage in certain of the actions and the Company is retaining counsel to represent it with respect to those actions. Management is uncertain at this time as to the outcome of this action.

(b) Action by Former Shareholder

An action was instituted in the Court of Common Pleas, Philadelphia County, Pennsylvania on March 7, 1990 by Betty Gratz against the Company and Samuel Gratz, the former President and a director of the Company (Civil Action No. 1127). This action relates to the payment for shares of common stock purchased by the Company from the Plaintiff and seeks approximately $43,000 representing interest allegedly owed by the Company on account of such purchase. Management of the Company believes that the allegations contained in the Complaint are without merit and is defending against them.

(c) Licenses and Inspections Violations

A proceeding was instituted against the Company in 1990 in Municipal Court, Philadelphia, Pennsylvania by the Licensing and Inspections Office of the City of Philadelphia and pursued by the Fire Marshall's Office in connection with storage of drums of unmarked and hazardous chemicals at the Company's premises. To date, the Company has been fined $5,000 for permitting this condition to exist. The Company has complied with all labelling and removal requirements imposed on it by the Court. This action was dismissed prior to January 1992 without the imposition of further fines or sanctions.

Item 2. - Changes in Securities.

At the Company's Annual Meeting of Shareholders held on December 6, 1991, the shareholders approved a proposal to change the Company's state of incorporation from Pennsylvania to Delaware (the "Merger"). As a result of the Merger, the rights of the Company's shareholders are governed by the Articles of Incorporation and By-Laws of the new Delaware corporation and by Delaware law. Copies of such Articles of Incorporation and By-Laws and a discussion of the differences between Delaware and Pennsylvania corporate law are incorporated into this Quarterly Report by reference to the Proxy Statement prepared in connection with such Annual Meeting of Shareholders and filed with the Securities Exchange Commission.

On April 20, 1992, the Company issued shares of stock to its shareholders of record on March 27, 1992, reflecting a 4-for-1 stock split.

Item 3. - Defaults Upon Senior Securities.

None.

Item 4. - Submission of Matters to a Vote of Security Holders.

On December 6, 1991, the Company held its Annual Meeting of Shareholders, at which the shareholders were asked to vote, among other matters, on a proposal to merge the Company into its wholly-owned Delaware subsidiary. The merger was approved by a vote of 178,444 shares in favor and 27,624 shares opposed.

Item 5. - Other Information.

None.

Item 6.(a) - Exhibits.

None.

Item 6.(b) - Reports on Form 8-K.

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 14, 1992

LANNETT COMPANY, INC.

By: Barry Weisberg

Barry Weisberg, President
Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number 0-18432

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Q-Data Corp. - St. Petersburg, F

MARTECH USA, INC.
(Exact name of registrant as specified in its chart

3C

Delaware
(State or other jurisdiction of incorporation or organization)

76-0139400
(I.R.S. Employer Identification No.)

300 East 54th Avenue, Anchorage, Alaska 99518
(Address of Principal Executive Office) (Zip Code)

907-561-1970
(Registrant's telephone number, including area code)

not applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 10, 1992.

Common Stock, $.01 par value per share: 9,984,683 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MARTECH USA, INC.

CONDENSED BALANCE SHEETS

(unaudited)

ASSETS	MAY 31, 1992	AUGUST 31, 1991
Current assets:		
Cash and cash equivalents	$ ---	$ 864,225
Accounts receivable, net of allowance for doubtful accounts of $400,000	18,463,050	18,744,639
Costs and estimated earnings in excess of billings on uncompleted fixed price contracts	8,891,457	3,221,477
Refundable income taxes	---	489,391
Prepaid expenses	1,158,543	1,224,584
Supplies	122,250	147,139
Total current assets	28,635,300	24,691,455
Property and equipment, at cost	29,098,122	24,597,125
Less: accumulated depreciation	(9,007,634)	(7,991,631)
	20,090,488	16,605,494
Investment in joint venture	2,982,729	---
Investment in Eastern European operations	---	3,588,698
Deposits	62,274	55,773
	$ 51,770,791	$ 44,941,420

(Continued)

MARTECH USA, INC.
CONDENSED BALANCE SHEETS
(unaudited)
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	MAY 31, 1992	AUGUST 31, 1991
Current liabilities:		
Revolving bank loan	$ 2,000,000	$ 4,500,000
Contracts payable	1,076,962	1,261,005
Accounts and notes payable	11,288,784	6,882,165
Accrued payroll and related taxes	190,193	853,214
Other current liabilities	362,833	95,561
Total current liabilities	14,918,772	13,591,945
Stockholders' equity:		
Preferred stock; par value $0.01; 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock; par value $0.01; 20,000,000 shares authorized; issued and outstanding 9,984,683	99,847	99,761
Other stockholders' equity	36,752,172	31,249,714
Total stockholders' equity	36,852,019	31,349,475
	$ 51,770,791	$ 44,941,420

See accompanying notes.

MARTECH USA, INC.

CONDENSED STATEMENTS OF INCOME

(unaudited)

	THREE MONTHS ENDED MAY 31		NINE MONTHS ENDED MAY 31	
	1992	1991	1992	1991
Revenues	$ 14,431,000	$ 9,616,000	$ 40,207,000	$ 29,524,000
Cost of revenues	(11,391,000)	(8,202,000)	(32,054,000)	(23,183,000)
Selling, general and administrative expenses	(1,208,000)	(1,016,000)	(3,189,000)	(2,859,000)
Gain on involuntary conversion	---	1,125,000	---	1,125,000
Gain on sale of 50% interest in Eastern European operation (Note 3)	---	---	1,206,000	---
Interest expense	(50,000)	(24,000)	(255,000)	(31,000)
Income before provision for income taxes	1,782,000	1,499,000	5,914,000	4,576,000
Provision for income taxes (Note 2)	(200,000)	---	(461,000)	(275,000)
Net income	$ 1,582,000	$ 1,499,000	$ 5,453,000	$ 4,301,000
Net income per share	$ 0.16	$ 0.15	$ 0.55	$ 0.43

See accompanying notes.

MARTECH USA, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	NINE MONTHS ENDED MAY 31.	
	1992	1991
Cash provided (used) by operating activities	$ 4,460,446	$(4,660,887)
Cash flows from investing activities:		
Proceeds from collections of note receivable	---	130,712
Purchase of property and equipment	(4,500,997)	(7,563,827)
Proceeds from sale of interest in Eastern European operations	3,000,000	---
Investment in joint venture	(1,189,031)	---
Net cash (used) by investing activities	(2,690,028)	(7,433,115)
Cash flows from financing activities:		
Proceeds from revolving bank loan	---	3,500,000
Principal payments on revolving bank loan and contracts payable	(2,684,043)	---
Proceeds from sale of stock options	49,400	---
Net cash provided (used) by financing activities	(2,634,643)	3,500,000
Net increase (decrease) in cash and cash equivalents	(864,225)	(8,594,002)
Cash and cash equivalents at beginning of period	864,225	11,143,355
Cash and cash equivalents at end of period	$ ---	$ 2,549,353

See accompanying notes

MARTECH USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
May 31, 1992

1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended May 31, 1992 are not necessarily indicative of the results that may be expected for the year ended August 31, 1992. These condensed financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report for the year ended August 31, 1991.

Per share information is based on the weighted average number of outstanding common shares and common share equivalents during each period; 9,976,083 shares for the three and nine months ended May 31, 1992, and 9,956,000 shares for the three and nine months ended May 31, 1991.

2. Income Taxes

The effective tax rate differs from the statutory Federal Income Tax Rate principally because of the effect of state income taxes and the utilization of net operating loss carryforwards. The amount of the Company's Federal net operating loss carryforwards which may be utilized on an annual basis are limited to $5.3 million due to changes in ownership of the Company in fiscal 1990. The Company records no Federal income tax liability until the Federal taxable income exceeds $5.3 million, at which time the Company begins accruing federal income taxes at the full statutory rate on Federal taxable income in excess of $5.3 million.

3. Investment in Eastern European Operation

During fiscal 1991 the Company negotiated an agreement with COMCO Holding AG-CCG (a Swiss company), which is a wholly-owned subsidiary of a German company (ASKO DEUTSCHE KAUFHAUS AKTIENGESELLSCHAFT), whereby COMCO acquired a 50% interest in the Company's investment in its Eastern European operations with a carrying value of $3,588,698 at August 31, 1991, and certain intangible assets in exchange for a payment of $3,000,000. The Company and COMCO each contributed $860,000 and their respective interests in Eastern Europe to form COMCO Martech JV (a corporate joint venture) in exchange for 50%, each, of the outstanding common stock of the new venture. The venture is jointly managed by the shareholders and carries out all activities in Eastern Europe of the nature formerly conducted by the Company.

The agreement was signed and payment of $3,000,000 was made in November 1991. Accordingly, the gain on the sale of the 50% interest in the Company's Eastern European operations of $1,205,000 has been reported in the three months ended November 30, 1991, and the nine months ended May 31, 1992.

4. Uncompleted Fixed-price Contracts

Costs and estimated earnings on uncompleted fixed-price contracts are summarized as follows:

	May 31, 1992	August 31, 1991
Costs incurred	$ 9,002,612	$ 3,276,819
Estimated earnings	3,134,247	2,424,625
	12,136,859	5,701,444
Less billings	3,245,402	2,479,967
	$ 8,891,457	$ 3,221,477

5. Restatement

As has been previously disclosed, the financial statements as of and for the three and nine month periods ended May 31, 1991 have been restated. The restatements were principally related to the computation of revenues and the amount and timing of earnings on certain contracts as well as certain tax obligations.

KPMG Peat Marwick

Certified Public Accountants

601 West 5th Avenue
Suite 700
Anchorage AK 99501 2258

Telephone 907 276 7401

Telefax 907 274 4953

Independent Auditors' Report

The Board of Directors
Martech USA, Inc.:

We have reviewed the condensed balance sheet of Martech USA, Inc. as of May 31, 1992, and the related condensed statements of income and cash flows for the three-month periods ended May 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Martech USA, Inc. as of August 31, 1991, and the related statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 10, 1992, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of August 31, 1991, is fairly presented, in all material respects, in relation to the balance sheet from which it has been derived.

Our report, dated January 10, 1992, on the financial statements of Martech USA, Inc. as of and for the year ended August 31, 1991, contains an explanatory paragraph which states that the 1990 financial statements have been restated to reflect corrections of errors due to the misapplication of accounting principles.

KPMG Peat Marwick

Anchorage, Alaska
July 8, 1992

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues during the third quarter of fiscal 1992 increased 50% to $14.4 million from $9.6 million in the third quarter of fiscal 1991. The increase is primarily attributable to growth in the Company's environmental remediation services revenues, which increased 170% to $9.8 million from $3.6 million in the year earlier period. The growth in environmental remediation services revenues occurred primarily in the continental United States and is largely attributable to an increase in work performed for the U.S. Government. The Company's marine services revenues increased 40% to $4.4 million from $3.2 million in the year earlier period. The increase is primarily attributable to several large projects performed off the coast of California. The Company's emergency spill response revenues decreased 90% to $0.2 million from $2.8 million in the year earlier period. During the third quarter of fiscal 1991 the Company's emergency spill response revenues were earned primarily by three contracts in the Middle East.

Revenues during the nine months ended May 31, 1992 increased 36% to $41.4 million from $29.5 million in the year earlier period. Environmental remediation services revenues increased 69% to $25.3 million from $15.0 million in the nine months ended May 31, 1991. This growth occurred primarily within the continental United States and is largely attributable to work performed for the U.S. Government. Marine services revenues increased 75% to $13.7 million from $7.9 million in the year earlier period. The increase is primarily attributable to several large projects performed off the coast of California. During the nine months ended May 31, 1992 the Company's spill response revenues decreased 82% to $1.1 million from $6.3 million in the year earlier period. During the nine months ended May 31, 1991 the Company's emergency spill response revenues were earned primarily in the Middle East.

Costs and estimated earnings in excess of billings on uncompleted fixed-price contracts increased to $8.9 million at May 31, 1992 from $3.2 million at August 31, 1991 due to a significant increase in fixed-price contracts in progress. Accounts and notes payable increased to $11.3 million at May 31, 1992 from $6.9 million at August 31, 1991. The increase in accounts and notes payable is primarily related to construction activities and is associated with the significant increase in fixed-price contracts.

Selling, general and administrative (S,G&A) expenses as a percentage of revenues declined to 8.4% in the third quarter of fiscal 1992 from 10.6% in the year earlier period. For the nine months ended May 31, 1992, S,G&A expenses as a percentage of revenues declined to 7.9%

from 9.7% in the year earlier period. The decline is attributable to the increase in revenues.

Interest expense increased in the third quarter and nine months ended May 31, 1992 due to higher average borrowing on the Company's revolving line of credit.

Income taxes increased in the third quarter to 11.2% of income before income taxes, from 0% in the third quarter of fiscal 1991. For the nine month period income taxes increased to 7.8% of income before income taxes, from 6.0% in the year earlier period. The income tax expense reflects the utilization of Federal net operating loss carryforwards. See Note 2 to Notes to Condensed Financial Statements.

During the nine months ended May 31, 1992 the Company acquired property and equipment totaling $4.5 million, primarily consisting of construction equipment utilized in the Company's environmental remediation services business.

During the nine months ended May 31, 1992 the Company financed its operations with cash generated by operating activities of $4.5 million. The Company has a $5.0 million revolving line of credit to fund operations and a $5.0 million line of credit to support the issuance of standby letters of credit. As of May 31, 1992 the entire amount of these lines of credit was available to the Company. In addition, the company has a $2.0 million line of credit to fund the purchase of equipment. As of May 31, 1992 the entire amount of this line of credit has been drawn by the Company. The Company expects that cash generated from operations and funds available through the line of credit will be sufficient to meet its working capital needs in the foreseeable future.

The Company's results of operations have not been significantly affected by inflation, nor does the Company expect to be so affected in the future.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

No Reports on Form 8-K have been filed by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARTECH USA, INC.
(Registrant)

Date: July 10, 1992

By ____________________________
Benjamin C. Tisdale, III
President & Chief Executive Officer

Date: July 10, 1992

By ____________________________
Mark T. Glore
Chief Financial Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ___________

Commission File Number 33-28739

Mascott Corporation
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of incorporation or organization)

22-2390930
(IRS Employer Identification No.)

304 Regent Street
Livingston, New Jersey 07039
(Address of principal executive offices)
(Zip Code)

(201) 535-1000
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ________

As of June 30, 1992, 6,950,000 shares of the registrant's common stock were outstanding.

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MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	May 31, 1992 (Unaudited)	March 1, 1992
CURRENT ASSETS:		
Cash and equivalents	$ 340,000	$ 577,000
Certificates of deposit	-	97,000
Inventories	102,000	80,000
Prepaid expenses and other current assets	188,000	147,000
Total Current Assets	630,000	901,000
PROPERTY AND EQUIPMENT, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION OF $339,000 AND $266,000	2,485,000	2,110,000
OTHER ASSETS:		
Intangible assets, less accumulated amortization of $78,000 and $52,000	754,000	760,000
Other	50,000	43,000
	804,000	803,000
	$3,919,000	$3,814,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable - stockholder	$ 250,000	$ -
Accrued interest - stockholder	1,000	-
Accounts payable - trade	304,000	291,000
Accrued payroll	191,000	120,000
Accrued rent	200,000	215,000
Other accrued expenses and current liabilities	260,000	151,000
Total Current Liabilities	1,206,000	777,000
COMMITMENTS AND CONTINGENCY		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value:		
Authorized - 4,000,000 shares		
Issued and outstanding - none	-	-
Common stock, no par value:		
Authorized - 20,000,000 shares		
Issued and outstanding - 6,950,000 shares	6,187,000	6,187,000
Paid-in capital	88,000	88,000
Accumulated deficit	(3,562,000)	(3,238,000)
Total Stockholders' Equity	2,713,000	3,037,000
	$3,919,000	$3,814,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended May 31,	
	1992	1991
NET SALES	$1,739,000	$1,091,000
COSTS AND EXPENSES:		
Cost of food and beverage	461,000	304,000
Other operating costs (exclusive of depreciation and amortization shown separately below)	1,242,000	834,000
Royalties to Director	3,000	-
General and administrative expenses	208,000	112,000
Depreciation and amortization	99,000	79,000
Pre-operating costs	53,000	-
	2,066,000	1,329,000
OPERATING LOSS	(327,000)	(238,000)
INTEREST EXPENSE - STOCKHOLDER	(1,000)	-
INTEREST INCOME	4,000	35,000
NET LOSS	$ (324,000)	$ (203,000)
NET LOSS PER COMMON SHARE	$ (.05)	$ (.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,950,000	6,950,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended May 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (324,000)	$ (203,000)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	99,000	79,000
Changes in operating assets and liabilities:		
Inventories	(22,000)	(17,000)
Prepaid expenses and other current assets	(41,000)	11,000
Other assets	(7,000)	(20,000)
Accounts payable	13,000	78,000
Accrued interest - stockholder	1,000	-
Accrued expenses and other current liabilities	165,000	127,000
Net cash flows from operating activities	(116,000)	55,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(448,000)	(102,000)
Acquisition of intangible assets	(20,000)	-
Maturation of certificates of deposit	97,000	288,000
Net cash flows from investing activities	(371,000)	186,000
CASH FLOWS FROM FINANCING ACTIVITIES - Proceeds from note payable - stockholder	250,000	-
NET CHANGE IN CASH	(237,000)	241,000
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	577,000	1,923,000
CASH AND EQUIVALENTS, END OF PERIOD	$ 340,000	$2,164,000

See accompanying notes to consolidated financial statements.

MASCOTT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Interim Financial Reporting:

The balance sheet at March 1, 1992 has been derived from the audited balance sheet for the fiscal year then ended and is presented for comparative purposes.

The accompanying financial statements presume that users have read the audited financial statements for the preceding fiscal year. Accordingly, footnotes which would substantially duplicate such disclosures have been omitted.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Such adjustments consist solely of normal recurring accruals. Results for the interim periods presented are not necessarily indicative of results that may be expected for the fiscal year ending February 28, 1993.

Note 2 - Change in Fiscal Year:

On August 19, 1991, the Company determined to change its fiscal year from one ending on the last day of February to a 52-53 week reporting period with each fiscal year ending on the Sunday nearest the last day of February. The Company's current fiscal year will end on February 28, 1993.

Note 3 - Note Payable - Stockholder:

On February 24, 1992, the Chairman of the Board of the Company ("Chairman") entered into a credit agreement with the Company. Pursuant to the agreement, the Chairman issued a $1,000,000 unsecured line of credit to the Company. Loans made under the Agreement bear interest at the prime rate. Interest on such loans is payable quarterly and principal is payable upon demand, but not prior to April 1, 1993. The agreement expires February 24, 1997.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Results of Operations:

Company-Owned Restaurants - The Company commenced operations in March 1989 when Markers-Harborside and Markers-Express opened for business. In April 1990, the Company opened its second restaurant, then known as Markers Restaurant & Bar (with a concept similar to Markers-Harborside) ("Markers-Harborcove"). In May 1992, the Company changed Markers-Harborcove's name and focus and reopened Markers-Harborcove as Markers Italian Grille.

Cinnabon Bakeries - In addition to its restaurant operations, the Company currently owns and operates seven Cinnabon bakery franchises. The Company has owned the exclusive territory rights to own and operate Cinnabon bakeries in 15 of New Jersey's 21 counties since 1988. In January 1992, the Company acquired the exclusive territory rights to own and operate Cinnabon bakeries in the States of Maine, Massachusetts, New Hampshire, Vermont and a substantial portion of Connecticut. The Company anticipates that it will open approximately three to six additional Cinnabon bakeries in the next twelve months, provided the Company has the funds available to do so. The estimated capital necessary to open and operate each Cinnabon bakery is approximately $200,000.

Willie Mays Grilled & Roasted Chicken Operations - In July 1991, the Company entered into an agreement with Willie Mays, a director of the Company, pursuant to which the Company is authorized to use Mr. Mays' name, likeness and services in connection with the operation of quick-service food establishments serving grilled and roasted chicken under the name "Willie Mays Grilled & Roasted Chicken" or other similar names. The Company opened its first Willie Mays Grilled & Roasted Chicken establishment in October 1991 and opened two additional Willie Mays Grilled & Roasted Chicken locations in April 1992. Depending on the success of its current locations and the availability of satisfactory funding sources, the Company may open additional Willie Mays Grilled & Roasted Chicken establishments in the next twelve months. In addition, the Company may offer Willie Mays Grilled & Roasted Chicken franchises for sale to third parties.

The number of the Company's business operations during the two most recent three month periods are summarized as follows:

	Three Months Ended May 31,	
	1992	1991
Markers Restaurants (including Markers Express)	2	2
Cinnabon Bakeries	7	3
Willie Mays Grilled & Roasted Chickens	3	0

In addition, the Company opened one additional Cinnabon bakery in July, 1992.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Net sales, gross profit and division operating income are summarized as follows:

	Three Months Ended May 31,						
	1992				1991		
				(Thousands)			
	Total	Markers Restaurants	Cinnabon Bakeries	Willie Mays Chickens	Total	Markers Restaurants	Cinnabon Bakeries
Net sales	$1,739	$ 732	$732	$275	$1,091	$ 757	$334
Cost of food and beverage	461	223	152	86	304	235	69
Gross profit	1,278	509	580	189	787	522	265
Other operating costs	1,344	626	516	202	913	677	236
Division operating income (loss)	(66)	(117)	64	(13)	(126)	(155)	29
Gross profit percent	73.5%	69.5%	79.2%	68.7%	72.1%	69.0%	79.3%
Division operating income (loss) percent	(3.8)%	(16.0)%	8.7%	(4.7)%	(11.5)%	(20.5)%	8.7%

The foregoing summary does not reflect (a) general and administrative expenses, and (b) pre-operating costs.

Net sales for the three months ended May 31, 1992 increased by $648,000 as compared with the three months ended May 31, 1991. The increase in revenues was due primarily to the additional Cinnabon bakeries which commenced operations during the past year and the commencement of Willie Mays Grilled & Roasted Chicken operations in October 1991.

The Company's gross profit improved to 73.5% for the three months ended May 31, 1992 when compared with 72.1% for the three months ended May 31, 1991. The improvement reflects the additional Cinnabon operations which produce higher gross profit margins as compared with the restaurants and Willie Mays Grilled & Roasted Chicken establishments. Management anticipates that the Company's gross profit will continue to improve as the Cinnabon bakeries expand and become a greater proportion of the Company's overall sales. This improvement may be offset by the expansion of the Willie Mays Grilled & Roasted Chicken operations which are not expected to attain gross profit margins as high as the Cinnabon bakeries.

Other direct operating costs (i.e., rent, utilities, employee salaries and benefits, payroll taxes, insurance and advertising and promotion) were 71.4% of overall net sales for the three months ended May 31, 1992 compared with 76.4% for the same period in 1991. The relative decline in other direct operating costs as a percentage of net sales is due primarily to the additional revenues provided by the additional Cinnabon bakeries and the Willie Mays Grilled & Roasted Chicken operations.

In absolute dollars, such costs increased by $408,000 for the three months ended May 31, 1992 versus 1991, reflecting the expansion of the Company's Cinnabon operations and the commencement of the Willie Mays Grilled & Roasted Chicken operations.

General and administrative expenses were 12.0% of net revenues for the three months ended May 31, 1992 compared with 10.3% in the same period in 1991. The increase in general and administrative expenses as a percentage of net revenue was due primarily to the increased staffing expenses resulting from the expansion of the Company's Cinnabon operations and the commencement of the Willie Mays Grilled & Roasted Chicken operations. The Company presently incurs certain corporate expenses (e.g., salaries of officers, legal and accounting fees, rent, insurance premiums, etc.) which are not directly allocable to existing operations. Until such time as the Company has expanded to a point where its various restaurants, Cinnabon bakeries and Willie Mays Grilled & Roasted Chicken establishments can absorb all such expenses, such corporate expenses will continue to adversely impact profitability.

Pre-operating costs were $53,000 for the three months ended May 31, 1992. Approximately $24,000 was in connection with new Cinnabon bakery operations and approximately $29,000 in connection with the opening of new Willie Mays Grilled & Roasted Chicken locations.

Although the Company has expensed pre-operating costs through May 31, 1992, in subsequent periods such costs may be capitalized and amortized over an estimated recovery period, provided that a sufficient operating history is established by the Company.

Interest income was $4,000 and $35,000 for the three months ended May 31, 1992 and 1991, respectively. Interest income has been generated from investments in cash equivalents and certificates of deposit from the proceeds of the Company's initial public offering. Management does not anticipate significant interest income in the future as the initial public offering proceeds have been used to fund expansion and operating losses. Interest income was also adversely impacted in the three months ended May 31, 1992 by declining market rates of interest.

Net loss for the three months ended May 31, 1992 and 1991 was $324,000 and $203,000, respectively. The Company must increase its sales revenue in existing operations or expand into new profitable operations before profitability can be achieved. There can be no assurance that such profitability will be achieved.

Markers Italian Grille (formerly Markers-Harborcove), located in Somers Point, New Jersey, realized approximately one-half of its total revenues during the months of June, July and August during the past two years when the Somers Point area receives an influx of summertime residents and vacationers. During the pre-Christmas period, Markers-Harborside enjoyed increased revenues due to increase of catering services and private parties compared to other times during the year. The Cinnabon bakeries also experienced increased revenues during this period due to the relatively higher level of shopping mall activity during the pre-Christmas period. Management anticipates the Willie Mays Grilled & Roasted Chicken operations will also experience increased revenues from the higher level of shopping mall activity during the pre-Christmas period.

B. Liquidity, Capital Resources and Financial Condition:

The Company's liquidity was reduced during the three months ended May 31, 1992. The Company's current ratio (i.e., the ratio of current assets to current liabilities) at May 31, 1992, was .52 to 1 as compared to 1.6 to 1 at March 1, 1992. The impact of the Company's reduced liquidity will be to limit the Company's ability to expand its operations through internal funding. The Company's current ratio may continue to decline during future periods due to expansion and to fund operating losses, if necessary.

Cash flow used in operations was $116,000 versus cash provided by operations of $55,000 for the three months ended May 31, 1992 and 1991, respectively. Cash and equivalents decreased by $237,000 during the current period, primarily as a result of acquisitions of property and equipment totaling $448,000 for the Company's new Cinnabon bakery and two new Willie Mays Grilled & Roasted Chicken outlets. The Company does not expect that it will generate sufficient cash flow internally to fund operations and future expansion until profitability is achieved. As a result, the Company may be required to seek additional external funding. However, there can be no assurance that such additional funding will be available. If the Company is able to open additional Cinnabon bakery operations as contemplated, management anticipates that cash generated from operations will improve, although no assurance can be given in this regard.

On February 24, 1992, Richard Gillman, the Chairman of the Board of the Company, entered into an agreement with the Company pursuant to which he issued a $1,000,000 unsecured line of credit to the Company (the "Credit Agreement"). The Credit Agreement expires on February 24, 1997. In consideration for his entering into the Credit Agreement, the Company granted to Richard Gillman a warrant which entitles him to purchase up to 250,000 shares of the Company's Common Stock (which increases to 350,000 shares of Common Stock if the outstanding balance under the Credit Agreement ever exceeds $750,000) at an exercise price of $2.00 per share. The warrant expires on February 24, 2002. As of July 1, 1992, the Company had borrowed $450,000 under the Credit Agreement. There can be no assurance that Richard Gillman will make any funds available to the Company other than those available under the Credit Agreement.

The Company intends to open three to six additional Cinnabon bakeries during the next twelve months. The estimated capital necessary to open and operate each Cinnabon bakery is approximately $200,000. The Company opened two additional Willie Mays Chicken locations in April 1992. The capital necessary to open each Willie Mays Chicken outlet was approximately $275,000. Depending on the success of the current locations, the Company anticipates it may open additional Willie Mays Grilled & Roasted Chicken locations. In addition, the Company is evaluating the possibility of offering Willie Mays Grilled & Roasted Chicken franchises for sale in the future. The Company does not anticipate expanding the Company's restaurant operations unless and until profitability is achieved.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The estimated capital necessary to fund the planned expansion during the next twelve months will be approximately $750,000 to $1,500,000. Management believes that existing cash, internal cash flow from operations and funds available under the Credit Agreement will be sufficient to fund the planned expansion although no assurances can be given in this regard. If such funds are not sufficient to fund such planned expansion, it may be necessary for the Company to obtain additional external financing. There can be no assurance that such additional financing will be available. The lack of such financing may cause management to revise, delay or curtail the planned expansion.

Restaurant businesses, Cinnabon bakeries and Willie Mays Grilled & Roasted Chicken locations typically do not have significant receivables, since sales are made for cash or by credit card vouchers which are generally paid within a few days, and they do not maintain substantial inventory due to the relatively brief shelf life and frequent turnover of food products. Retail food establishments generally are able to obtain short-term trade credit in purchasing food and restaurant supplies. As a result of such credit, retail food establishments are frequently able to operate with negative working capital. To date, the Company has been able to obtain short-term trade credit. However, no assurances can be given that the Company will continue to be able to obtain short-term trade credit in the future.

MASCOTT CORPORATION

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

Not applicable

Item 2 Change in Securities

Not applicable

Item 3 Defaults Upon Senior Securities

Not applicable

Item 4 Submission of Matters to a Vote of Security Holders

Not applicable

Item 5 Other Information

Not applicable

Item 6 Exhibits and Reports on Form 8-K

(A) Exhibits

Not applicable

(B) Reports on Form 8-K

The Company filed a current report on Form 8-K on May 7, 1992 to announce that it had taken a one-time charge of $1,607,000 for the quarter ended March 1, 1992 reflecting the write-off of capital assets of one of the Company's restaurants, Markers Restaurant & Bar in Jersey City, New Jersey.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: July 13, 1992

MASCOTT CORPORATION

s/s Scott M. Gillman

Scott M. Gillman
Chief Executive Officer and
Principal Financial Officer

0 28536 Q-36151

EXECUTED

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92-22738

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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Quarterly Report Under Section 13 or 15(d)
Of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1991

Commission File Number 33-8070-LA

MAXI GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada	87-0420448
(State or other jurisdiction of incorporation of organization)	(IRS Employer Identification No.)

737 Westholme Avenue, Los Angeles, California 90024
(Address of principal executive offices)

Registrant's telephone number, including area code (801) 328-2727

NONE
(Former name, former address & former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports)

Yes X No____

and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,655,000
(Number of shares of common stock of the registrant outstanding as of September 30, 1991)

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NOTE: Page 1 of 8 sequentially numbered

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PART I FINANCIAL INFORMATION
ITEM 1 Financial Statements

MAXI GROUP, INC.
[A Development Stage Company]

CONDENSED BALANCE SHEETS
[Unaudited]

ASSETS

	September 30, 1991	December 31, 1990
CURRENT ASSETS:		
Cash	$ 97	$ 5,768
Advance to related entity	-	161
Total Current Assets	97	5,929
OTHER ASSETS:		
Organization costs, net	-	16
	$ 97	$ 5,945

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1991	December 31, 1990
CURRENT LIABILITIES:		
Accounts payable	$ 773	$ -
STOCKHOLDERS' EQUITY:		
Common stock	3,655	3,655
Capital in excess of par value	46,825	46,825
Deficit accumulated during the development stage	(51,156)	(44,535)
Total Stockholders' Equity	(676)	5,945
	$ 97	$ 5,945

The accompanying notes are an integral part of these financial statements.

NOTE: The balance sheet at December 31, 1990 has been taken from the audited financial statements at that date.

MAXI GROUP, INC.
[A Development Stage Company]

STATEMENTS OF OPERATIONS

[Unaudited]

	For The Three Months Ended September 30,		For the Nine Months Ended September 30,		From Inception on June 17, 1986 Through September 30, 1991
	1991	1990	1991	1990	
INTEREST INCOME	$ 3	$ 163	$ 111	$ 618	$ 6,331
EXPENSES:					
General and administrative	160	65	1,021	488	8,512
Amortization	-	8	16	24	160
Professional fees	773	398	4,064	4,268	31,298
Travel expense	-	452	1,631	2,218	17,517
Total Expenses	933	923	6,732	6,998	57,487
NET LOSS	$ (930)	$ (760)	$ (6,621)	$(6,380)	$(51,156)
LOSS PER SHARE	$ (.00)	$ (.00)	$ (.00)	$ (.00)	$ (.01)

The accompanying notes are an integral part of these financial statements.

MAXI GROUP, INC.
[A Development Stage Company]

STATEMENTS OF CASH FLOWS

[Unaudited]

	For the Nine Months Ended September 30,		From Inception on June 17, 1986 Through September 30,
	1991	1990	1991
Cash Flows To Operating Activities:			
Net (loss)	$ (6,621)	$ (6,380)	$ (51,156)
Adjustments to reconcile net income to net cash used by operating activities:			
Amortization expense	16	24	160
Changes in assets and liabilities:			
Accounts payable	773	(2,522)	773
Advance to related entity	161	629	-
	950	(1,869)	933
Net Cash Flows To Operating Activities	(5,671)	(8,249)	(50,223)
Cash Flows To Investing Activities:			
Organization costs	-	-	(160)
Investment in subsidiary	-	-	(30,000)
Net Cash Flow From (To) Investing Activities	-	-	(30,160)
Cash Flows From Financing Activities:			
Proceeds from common stock issuance	-	-	122,750
Stock offering costs	-	-	(42,270)
Net Cash Flows From (To) Financing Activities	-	-	80,480
Net Increase (Decrease) In Cash	(5,671)	(8,249)	97
Cash at Beginning of Period	5,768	16,460	-
Cash at End of Period	$ 97	$ 8,211	$ 97

The accompanying notes are an integral part of these financial statements.

MAXI GROUP, INC.
[A Development Stage Company]

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 — CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 1991 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto includes in the Company's December 31, 1990 audited financial statements. The results of operations for the period ended September 30, 1991 are not necessarily indicative of the operating results for the full year.

NOTE 2 — RELATED PARTY TRANSACTIONS

At September 30, 1990, the Company had a receivable from an officer/director of the Company in the amount of $160 which is non-interest bearing. During the period ended September 30, 1991 the amount was reclassed to general and administrative expense for office supplies.

For the periods ended September 30, 1991 and 1990, the Company paid professional fees of $2,064 and $2,367, respectively, to an accounting firm whose managing partner is also an officer of the Company. At September 30, 1991, the Company owes $773 to such accounting firm for professional fees.

The Company uses the office of an officer and director of the Company on a rent-free basis and will do so until additional facilities are required.

NOTE 3 - SUBSEQUENT EVENTS

In November, 1991, the Company issued an additional 2,000,000 shares at $.005 per share to the Company's president. The Company received $1,000 in cash and a $9,000 receivable due on demand for such issuance.

PART I FINANCIAL INFORMATION

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company was incorporated June 17, 1986 for the purpose of investing in any and all types of assets, properties, and businesses. The Company has completed a public stock offering with 2,155,000 shares being sold. The gross proceeds of the offering amounted to $107,750 and offering costs of $42,270 were offset against the proceeds. The offering was registered on Form S-18 with the Securities and Exchange Commission. The Company's only business activity, to date, has been its formation, the registration of its securities and the preliminary investigation of potential investements and acquisitions.

Liquidity and Capital Resources

At September 30, 1991 the Company's assets consist primarily of cash from the issuance of common stock. The Company has no other resources. At present, the Company is engaged in the search for potential investments or acquisitions of private companies. Management believes that any acquisition will be made by issuing shares of the Company's unissued common stock. The Company's liquidity, capital resources and financial statements will be significantly different subsequent to the consummation of any acquisition.

Results of Operations

The Company's only operation to date has been the preliminary investigation of potential acquisitions.

PART II OTHER INFORMATION

ITEM 1 Legal Proceedings

None

ITEM 2 Changes in Securities

None

ITEM 3 Defaults on Senior Securities

None

ITEM 4 Submission of Matters to a Vote of Security Holders

None

ITEM 5 Other Information

None

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAXI GROUP, INC.

Robert W Mann
Robert W. Mann
President

Date: 5-2-92

Gary B. Peterson
Secretary/Treasurer

Date: 5/2/92

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1992
Commission File No. 33-35738

MEDENTA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
State or other jurisdiction of incorporation or organization

PROCESSED BY
MAY 19 1992
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52-1685988
I.R.S. Employer Identification No.

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Q-Data Corp. - St. Petersburg, FL

7634 NW 6th Avenue
Boca Raton, FL 33486
(Address of principal executive offices)

(407) 994 2070
Registrant's area code and telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at May 14, 1992
Common Stock, $.001 par value	2,960,000

MEDENTA CORPORATION
(a Development Stage Corporation)

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MEDENTA CORPORATION

(A Development Stage Corporation)

Part I

Financial Information

The information furnished in the accompanying Balance Sheets, Statements of Operations, and Statements of Cash Flows of Medenta Corporation (the Company), have been prepared in accordance with generally accepted accounting principles for interim financial information, the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (constituting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the audited financial statements and notes thereto included in the Company's Form 10-K, as filed with the Securities Exchange Commission.

MEDENTA CORPORATION
(A Development Stage Corporation)

BALANCE SHEETS

	March 31, 1992 (Unaudited)	Last Fiscal Year End December 31, 1991
ASSETS		
Current Assets:		
Cash and cash equivalents, including restricted cash of $23,383 at December 31, 1991	$636,908	$816,574
Accounts Receivable, net of allowance for doubtful accounts of $6,592	1,910	$5,535
Prepaid expenses		
Total Current Assets	638,818	822,109
Property and Equipment, net	27,393	27,796
Other	24,257	24,624
TOTAL ASSETS	$690,468	$874,529
LIABILITIES and STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts Payable	$16,505	$52,632
Accrued Liabilities	62,069	51,205
Current portion of royalties payable to Technimed Corporation	100,000	100,000
Total Current Liabilities	178,574	203,837
Royalities payable to Technimed Corporation, net of current portion.	663,078	628,351
Commitments and Contingencies (Note 3)	--	--
STOCKHOLDERS' INVESTMENT		
Preferred stock, $.001 par value - 5,000 shares authorized, none issued or outstanding.	0	0
Common stock, $.001 par value - 25,000,000 shares authorized, 2,960,000 issued and outstanding at March 31, 1992 and December 31, 1991	2,960	2,960
Additional paid in Capital	3,220,567	3,220,567
Excess of purchase price over identifiable and and allocated costs for technology acquired from Technimed Corporation.	(1,354,211)	(1,354,211)
Deficit accumulated during the development stage	(2,020,500)	(1,826,975)
	(151,184)	42,341
Total liabilities and stockholders' equity	$690,468	$874,529

The accompanying notes to financial statements are an integral part of these balance sheets.

MEDENTA CORPORATION
(A Development Stage Corporation)

STATEMENTS of OPERATIONS and ACCUMULATED DEFICIT

	For the three months ended March 31,		Period From Inceptio (January 1, 1989) Through March 31, 1992
	1992	1991	
	(Unaudited)	(Unaudited)	(Unaudited,
REVENUE	---	---	---
EXPENSES			
General and administrative	$145,641	$178,170	$1,364,473
Research and development	19,235	33,029	520,389
Provision for doubtful accounts	-	-	6,592
LOSS FROM OPERATIONS	(164,876)	(211,199)	(1,891,454)
OTHER INCOME (EXPENSE):			
Interest income	6,078	29,576	115,062
Interest expense - Technimed Corporation	(34,727)	(29,672)	(272,468)
Other expense	---	---	(1,640)
RESEARCH and DEVELOPMENT REIMBURSEMENT RECEIVED FROM OTHERS	---	---	30,000
NET LOSS	($193,525)	($211,295)	($2,020,500)
ACCUMULATED DEFICIT BEGINNING OF PERIOD	(1,826,975)	(893,384)	0
ACCUMULATED DEFICIT ENDING OF PERIOD	($2,020,500)	($1,104,679)	($2,020,500)
NET LOSS PER SHARE	($0.07)	($0.07)	($1.11)
WEIGHTED AVERAGE SHARES OUTSTANDING	2,960,000	2,960,000	1,826,437

The accompanying notes to financial statements
are an integral part of these statements.

MEDENTA CORPORATION

(A Development Stage Corporation)

STATEMENTS OF CASH FLOWS

	For the three months ended March 31, 1992	For the three months ended March 31, 1991	Period From Inception (January 1, 1989) Through March 31, 1992
	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	($193,525)	($211,295)	($2,020,500)
Adjustments to reconcile net loss to net cash used by operating activities:			
Expenses incurred by Technimed on behalf of Medenta	0	0	441,050
Depreciation	1,735	1,521	8,750
Imputed interest expense on royalties payable	34,727	29,672	218,759
Provision for bad debts			6,592
Change in assets and liabilities-			
(Increase) decrease in accounts receivable	3,625	0	(8,502)
(Increase) decrease in other assets	367		(24,257)
Increase (decrease) in accounts payable and accrued liabilities	(25,263)	(2,068)	78,574
Increase (decrease) in amounts due to Technimed Corporation	0	2,600	0
Net cash used by operating activities.	($178,330)	($179,526)	($1,299,510)
CASH FLOWS FROM INVESTING ACTIVITY:			
Capital Expenditures	($1,332)	$0	($36,151)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock to Technimed Corporation	0	0	100
Proceeds from initial public offering	0	0	4,020,000
Cost associated with initial public offering	0	0	(797,523)
Repayment of note payable to Technimed Corporation	0	0	(1,200,000)
Repayment of royalties payable to Technimed Corporation		(24,000)	(50,000)
Net Cash (used in) provided by financing activities.	$0	($24,000)	$1,972,577

(continued)

MEDENTA CORPORATION

(A Development Stage Corporation)

STATEMENTS OF CASH FLOWS
CONTINUED

	For the three months ended March 31, 1992 (Unaudited)	For the three months ended March 31, 1991 (Unaudited)	Period From Inception (January 1, 1989) Through March 31, 1992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	($179,666)	($203,526)	$636,908
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	$816,574	$1,664,633	$0
CASH AND CASH EQUIVALENTS END OF PERIOD	$636,908	$1,461,107	$636,908
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$0	$24,000	$103,710

The accompanying notes to financial statements are an integral part of these statements.

MEDENTA CORPORATION

(A Development Stage Corporation)

NOTES TO FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS AND DEVELOPMENT STAGE ACTIVITIES:

(a) Description of Business

Medenta Corporation (the "Company") is a development stage corporation that has been engaged since January 1, 1989 ("inception date"), in the research and development of products for quick and convenient testing of body fluids for medical and dental purposes. The Company was formerly a business unit of TechniMed Corporation ("TechniMed") before being organized as a separate corporation on April 16, 1990. On November 1, 1990, the Company effected an initial public offering of 2,010,000 shares, or a 68% ownership interest by the public.

(b) Transfer of Technology from TechniMed

On June 26, 1990, the Company obtained its technology from TechniMed (see Note 4), in exchange for 949,900 unregistered shares of common stock, a promissory note of the Company in the principal amount of $1,200,000, payable on demand, with interest at 12% per annum and an arrangement for a 6% royalty on product sales and certain minimum annual payments (see Note 6(b). The technology acquired was independently appraised at $2,350,000 by a firm of consultants recommended by the underwriter of the initial public offering. The Company believes that it obtained technology from TechniMed, on terms not less favorable to the Company than the terms that would have been available from an unaffiliated seller of similar technology. The Company considers its technology to be proprietary, however, an actual comparison with other sales of technology is not possible. The technology has not been recorded as an asset because it was acquired from a related party and the Company is in the development stage.

(c) Development Stage Activities

Since its organization as a separate corporation on April 16, 1990, the Company has been principally engaged in organizational activities, the acquisition of technology from TechniMed described above, evaluation of other technologies for potential acquisition in the dental product areas and research and development activities and discussions with third parties with regard to potential manufacturing and marketing relationships.

The Company is in the development stage, has not generated any revenue from product sales and has no assurance of future revenue. The Company has incurred an accumulated deficit of $2,020,500 through March 31, 1992. The Company has failed to meet the NASDAQ's new inclusion criteria approved by the SEC on August 30, 1991 and accordingly, the Company's common stock, Units and Class A Warrants were de-listed by NASDAQ on February 4, 1992. No products have been developed for commercial application and the Company does not anticipate completing the development, testing and regulatory review of any product in the near future. A substantial time period may elapse before certain products developed can be clinically tested and introduced commercially. Successful future operations are subject to several risks, including unforeseen problems and delays, expenses and complications frequently encountered with the early phases of research, development, and commercialization of products, the dependency on new and rapidly changing technology, and the competitive environment of the biotechnology industry. After products have been developed and successfully introduced into a market, additional time may be necessary before significant revenue is realized.

Management estimates that the existing cash balance at March 31, 1992 combined with further cost reductions to be implemented during 1992, will provide sufficient funds to finance operations through the end of 1992 at which time, additional financing will be required. The Company will require either additional financing or collaborative arrangements with other parties to support the ongoing activities of the Company. Such financing or collaborative arrangements may not be available to the Company. The above factors raise substantial doubt about the Company's ability to continue as a going concern.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following is a summary of significant accounting policies used in the preparation of the financial statements:

(a) Basis of presentation

The accompanying financial statements include the historical financial statements and transactions applicable to the technology transferred to the Company by TechniMed, including the applicable assets, liabilities, results of operations and cash flows incurred by TechniMed and is presented herein on the Company's historical cost basis. The statements of operations and the accumulated deficit include the direct costs and expense of operations and certain allocated expenses. Allocated expenses occurred during 1989 and 1990, and include common expenses and corporate allocations from TechniMed. There were no such allocations for the three months ended March 31, 1991 and March 31, 1992.

Although the Company's technology existed prior to January 1, 1989, the accompanying financial statements reflect January 1, 1989 as the date of inception as no significant costs associated with the technology transferred were incurred by TechniMed prior to January 1, 1989. The accumulated deficit from inception to April 16, 1990 (date of incorporation), is included in the deficit accumulated during the development stage in the accompanying balance sheet at March 31, 1992. Through June 26, 1990 (date of transfer of technology from TechniMed), $441,058 of research and development and general and administrative expenses were incurred by TechniMed and are included in the accumulated deficit.

(b) Cash equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

(c) Research and development costs

Company sponsored research and development costs related to future products are expensed as incurred.

(d) Accrued liabilities

Primarily consists of accrued audit fees of $30,000 for March 31, 1992 and December 31, 1991. In addition, March 31, 1992 includes approximately $11,000 in accrued legal fees.

(e) Royalties payable to TechniMed Corporation

Royalties payable is determined by calculating the present value of the minimum annual royalty payments based on an imputed interest rate of 20%. The minimum annual royalty payments is required under the royalty arrangement with Technimed Corporation in connection with the technology transfer. See Note 3 (b).

(f) Stock issuance costs

Direct costs (primarily underwriting, legal, accounting and printing costs) incurred in connection with the Offering have been accounted for as reductions of additional paid in capital.

(g) Excess of purchase price over identifiable and allocated costs for technology acquired from Technimed Corporation

The excess of purchase price over identifiable and allocated costs arose from the purchase of technology from TechniMed. Technimed presently owns 32% of the Company's common stock and prior to the initial public offering owned 100% of the Company's common stock. For financial accounting purposes, transfers of assets between entities under common control are accounted for at historical cost. Accordingly, the excess of purchase price over identifiable and allocated costs has been reflected as a reduction of stockholders' investment and will be amortized.

(h) Net loss per share

Net loss per share is calculated by dividing net loss by the weighted average number of shares outstanding during the period. Common shares issuable under stock options and warrants have not been considered in the computation of net loss per share as they are antidilutive. Primary and fully diluted net loss per share are the same for all periods.

(3) COMMITMENTS AND CONTINGENCIES:

(a) Employment Agreement

The Company entered into a twelve-month employment agreement with a director of the Company for $85,000 per year commencing on April 16, 1991. This director resigned prior to the expiration of the employment agreement. Total compensation paid to this director during the three months ended March 31, 1992, was approximately $23,000, including accrued but unused vacation.

The Company's board of directors approved the guarantee of compensation payments for two employees of TechniMed, should TechniMed become insolvent. Subsequent to this approval, TechniMed became insolvent and the two employees resigned from TechniMed and now exclusively devote their efforts to Medenta. One employee is both an officer and director of the Company, while the other is an officer. These employees were not paid by TechniMed fo- approximately two months and were subsequently paid by Medenta.

The annual salaries of the officer/director and officer are $125,000 and $65,000, respectively. Expense recorded for these individuals was approximately $34,000 and $17,000, respectively, for the three months ended March 31, 1992. By May 1, 1992, both employees had taken a 20% salary deferrment.

(b) Royalties

In connection with the transfer of technology from TechniMed, the Company entered into a royalty arrangement with TechniMed consisting of 6% of the net sales by the Company of products using technology licenses and sublicensed from TechniMed and providing for minimum annual payments creditable against running royalties until the expiration of the longest-lived patent expiring on October 31, 2006. The total minimum annual royalties payable to TechniMed at March 31, 1992 are $763,078, of which $663,078, is long-term.

(c) Leases

The Company leases its facility under a non-cancellable 66 month operating lease. Rent expense was $8,472 for the three months ended March 31, 1992, under this operating lease.

(d) Profit Sharing Agreement

The Company has two different profit sharing agreements with two directors. Each agreement provides for participation based on escalating percentages applied to defined Adjusted Net Profit dollar increments. Adjusted Net Profits are based upon the Company's annual net income before taxes, extraordinary items, but including an accrual for the payment of the amount as calculated pursuant to these agreements. No amounts were earned or paid for to date. As discussed above, one director has terminated his employment agreement and no longer has a profit sharing agreement with the Company.

(e) License and Consulting Agreement

On April 11, 1991, the Company licensed certain unpatented chemical formulations for plaque products from Mountainside Associates, Inc. ("MAI"), in consideration of (i) $42,500 upon the grant of the license, (ii) two payments of $40,000 each payable upon completion of animal tests and clinical trials, respectively, (iii) the issuance of options to purchase a total of 15,000 shares of common stock of the Company at $2 per share, with options to purchase 5,000 shares becoming exercisable upon completion of animal tests and human trials, respectively, and expiring five years thereafter and (iv) running royalties ranging in increments from 0.5% of product sales to 3.0% of product sales, depending on annual sales volume. The license includes a commitment by the Company to spend at least $400,000 on research, development, and testing of plaque products, including amounts that may be paid to the licensor as described in clauses (i) and (ii) of the preceding sentence. The license is exclusive and may be terminated by the licensor if running royalties are less than specified minimum levels during certain specified periods. The Company recognized no expense associated with this agreement during the three months ended March 31, 1992.

On May 4, 1991, the Company entered into a two-year agreement with I.N.D. Management Inc. ("IND"), whereby the Company agreed to pay IND a finders fee for introducing the anti-plaque technologies and patents of MAI, to Medenta. The Company agreed to pay IND approximately $6,700 upon the demonstration of the efficacy of any chemicals developed by Medenta with the assistance of MAI, in animal testing, and will permit IND to purchase Company common stock having a market value of $5,000 for $1 once the Company has entered into a licensing agreement with a third party relating to the development of anti-plaque activity in an appropriate animal plaque model. Finally, approximately $6,700 will be paid upon the demonstration of the efficacy of such chemicals in human testing.

(f) Contingency

Infringement claims might be asserted by the Company's competitors against any membrane strips developed by the Company as components of periodontal and environmental tests. If a test developed by the Company were found to infringe a valid patent of a competitor, the Company might be forced to obtain from the competitor claiming infringement of a patent license on terms disadvantageous to the Company, or, if a patent license could not be negotiated, to stop marketing the infringing test.

In February 1992, two TechniMed employees that performed services for Medenta resigned from TechniMed and now exclusively devote their efforts to Medenta.

In March 1992, one of Medenta's directors resigned prior to the expiration of his employment agreement. He continues to remain a director of the Company.

On February 7, 1992, the Company was successful in its motion to dissolve a prejudgment writ of garnishment for $23,383 previously granted to plaintiff, Pacific National Bank in December, 1991.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere herein.

Liquidity and Capital Resources

The Company is a development stage enterprise and is currently utilizing the proceeds of its initial public offering to conduct its proposed activity. To date, the Company has not generated any revenues from product sales and as a result, has incurred an accumulated deficit of $2,020,500 through March 31, 1992. On November 1, 1990, the Company completed an initial public offering of 2,010,000 shares of its common stock for $4,020,523 less expenses associated with this initial public offering relating to underwriters commission and expense allowance, legal, printing, accounting, and other costs, leaving net proceeds of $3,222,477.

Working capital decreased from $618,272 to $460,244 from December 31, 1991 to March 31, 1992. The proceeds remaining from the Company's initial public offering totalled $636,908 as of March 31, 1992. The Company anticipates that its operations will absorb a significant portion of its working capital and it will require either additional financing or collaborative arrangements with other parties to support the ongoing activities of the Company.

Total assets decreased by 21% during the three months ended March 31, 1992 to $690,468 compared to $874,529 as of December 31, 1991. Total current liabilities decreased to $178,574 as of March 31, 1992 as compared to $203,837 at December 31, 1992 as significant legal fees accrued at December 31, 1991 were paid in January, 1992. Long term liabilities increased slightly over the same periods from $628,351 to $663,078.

Results of Operations

The Company expects to continue to incur substantial expenditures over the balance of 1992 in researching, developing and testing its proposed products. The Company has no other source of liquidity and has no commitments with regard to obtaining any further funds.

Management estimates that the existing cash balance at March 31, 1992 combined with further cost reductions to be implemented during 1992 will provide sufficient funds to finance operations through the end of 1992, at which time additional financing will be required. The Company will require either additional financing or collaborative arrangements with other parties to support the ongoing activities of the Company. Such financing or collaborative arrangements may not be available to the Company.

Capital Requirements and Source of Funds

The Company must increase its working capital in order to continue in business beyond fiscal year 1992. The Company is actively pursuing outside capital, however there can be no assurance that the Company will be able to raise additional revenue through outside sources.

The Company has no commitments for capital expenditures but is required to spend at least $400,000 on research, development, and testing of plaque products in connection with an agreement dated April 11, 1991, with Mountainside, discussed in Note 3(e).

Effective of Inflation

The Company does not believe that its business is materially affected either favorably or adversely by inflation.

Comparison of the Three Months Ended March 31, 1991, to the Three Months Ended March 31, 1991.

The Company recorded a net loss of $193,525 for the three months ended March 31, 1992 compared to a net loss of $211,295 for the three months ended March 31, 1991, a decrease of $17,770. Operating expenses for the three months ended March 31, 1992 totalled $164,876 compared to $211,199 for the same period in 1991, an improvement of $46,323. Principle among the savings was the expiration of the Company's management services and rent agreements with its former parent, TechniMed, in late 1991 and its move into less expense facilities with its own dedicated management staff. Somewhat offsetting the savings in operating expense was a reduction in interest income from $29,576 in the three months ended March 31, 1991 to only $6,078 for the same period in 1992, a reduction of $23,498. Fewer funds available for investment in 1992 and lower market interest rates accounted for this decrease in interest income. Accrued interest on the minimum royalty payable to TechniMed was $34,727 in the first quarter of 1992 compared to $29,672 in 1991.

MEDENTA CORPORATION

(A Development Stage Corporation)

Part II

Other Information

NONE

MEDENTA CORPORATION

(A Development Stage Corporation)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDENTA CORPORATION
Registrant

Date: May 14, 1992

Barry J. Newman
President and CEO

Michael E Schulze
Michael E. Schulze
V.P. Finance & Administration

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Form 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended February 29, 1992 Commission File No. 0-19200

NEWPORT CARPET MILLS, INC.
(Exact name of registrant as specified in its charter)

Colorado	95-2841775
(State or other jurisdiction of incorporation or organization)	(I.R.S. Empl. Ident. No.)
600 W. 15th Street, Long Beach, California	90813
(Address of principal executive offices)	(Zip Code)

(310) 435-7010
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO _

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest possible date:

Common Stock, $.0001 par value	9,295,000
(Class)	(Outstanding at February 29,1992)

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NEWPORT CARPET MILLS, INC.
STATEMENTS OF FINANCIAL CONDITION

	UNAUDITED	
	FOR THE NINE MONTHS ENDED FEBRUARY 29, 1992	FOR THE YEAR ENDED MAY 31, 1991
ASSETS		
CURRENT ASSETS		
CASH IN BANK	$ 57,197	$ 25,902
ACCOUNTS RECEIVABLE - LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	379,403	744,020
INVENTORIES	1,111,353	1,427,417
PREPAID EXPENSES	168,801	105,409
TOTAL CURRENT ASSETS	1,716,754	2,302,748
FIXED ASSETS	2,757,618	2,777,890
LESS: ACCUMULATED DEPRECIATION	728,353	749,899
TOTAL FIXED ASSETS	2,029,265	2,027,991
OTHER ASSETS	278,124	354,491
TOTAL ASSETS	4,024,143	4,685,230
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	1,070,656	1,048,352
NOTES & CONTRACTS PAYABLE - CURRENT PORTION	539,749	697,329
TOTAL CURRENT LIABILITIES	1,610,405	1,745,681
NOTES & CONTRACTS PAYABLE - PORTION DUE AFTER ONE YEAR	816,950	872,250
STOCKHOLDERS' EQUITY		
COMMON STOCK	930	930
ADDITIONAL PAID-IN-CAPITAL	1,602,380	1,602,380
RETAINED EARNINGS	(6,522)	463,990
TOTAL STOCKHOLDERS EQUITY	1,596,788	2,067,300
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,024,143	$ 4,685,230

NEWPORT CARPET MILLS, INC.
STATEMENTS OF OPERATIONS

	UNAUDITED	
	FOR THE NINE MONTHS ENDED 2/29/92	FOR THE NINE MONTHS ENDED 2/28/91
SALES	$ 2,757,156	$ 3,079,099
COST OF GOODS SOLD	2,724,429	2,699,881
GROSS PROFIT	32,727	379,218
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	435,622	420,348
BAD DEBT EXPENSE	55,022	52,324
LOSS FROM OPERATIONS	457,917	93,454
OTHER INCOME (EXPENSE)		
INTEREST EXPENSE	(104,830)	(134,173)
OTHER	92,235	25,489
TOTAL OTHER INCOME (EXPENSE)	(12,595)	(108,684)
NET LOSS FOR THE PERIOD	470,512	202,138
NET LOSS PER SHARE	$ 0.05	$ 0.02
WEIGHTED AVERAGE SHARES OUTSTANDING FOR PERIOD	9,295.000	9,295.000

NEWPORT CARPET MILLS, INC.
STATEMENTS OF OPERATIONS

	UNAUDITED	
	FOR THE THREE MONTHS ENDED 2/29/92	FOR THE THREE MONTHS ENDED 2/28/91
SALES	$ 626,869	$ 674,669
COST OF GOODS SOLD	752,670	687,659
GROSS PROFIT	(125,801)	(12,990)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	129,723	102,884
BAD DEBT EXPENSE	61,784	5,022
LOSS FROM OPERATIONS	317,308	120,896
OTHER INCOME (EXPENSE)		
INTEREST EXPENSE	(34,603)	(43,366)
OTHER	10,363	1,645
TOTAL OTHER INCOME (EXPENSE)	(24,240)	(41,721)
NET LOSS FOR THE PERIOD	341,548	162,617
NET LOSS PER SHARE	$ 0.04	$ 0.02
WEIGHTED AVERAGE SHARES OUTSTANDING FOR PERIOD	9,295,000	9,295,000

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the Registrant's consolidated financial statements and note thereto included herein.

RESULTS OF OPERATIONS

Three months ended February 29, 1992 versus three months ended February 28, 1991.

During the three months ended February 29, 1992 the company's operations consisted of carpet manufacture and sale. Net sales for three months ended February 29, 1992 were $626,869. The Registrant recorded a net loss of $341.548 or $.04 per share. This compares tc sales for the three months ended 2/28/91 of $674,669 and a loss of $162,617 equaling $.02 per share. This loss was attributable to recessionary pressure of the economy as well as cost involved in altering product mix from artificial turf to carpet sales and the use of available cash flow for market expansion developement and expenses associated with marketing such new products.

The cost of operations for the period were also higher due to bad debt expense and higher cost of goods sold because of smaller sales volume.

Nine months ended February 29, 1992 versus nine months ended February 28, 1991.

Net sales for the nine month period were $2,757,156 versus $3,079,099. The net loss for the period was $470,512 versus $202,138 or $.05 per share for February 29, 1992 versus $.02 per share the previous year. The three most important contributing factors to the losses were the recessionary pressures on all phases of the company's business including retail sales, housing starts and party rental and convention business. The company also experienced seasonal slowdown of its artificial turf business.

Expansion of its new carpet products should level out these seasonal demands in the coming year.

LIQUIDITY

Management believes that the Registrant's liquidity position is evidenced by its current assets of $1,716,754.

The company is still continuing its efforts to raise additional funds for the expansion of sales and new products. There can be no assurance that such additional funds will be available.

CAPITAL RESOURCES

Long term indebtedness at February 29, 1992 was $816,950.

BUSINESS OUTLOOK

Management believes that strong demand exists for its products, particularly its carpet products. The Registrant knows of no current foreseeable trend which will diminish its market share for any of its principal products.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWPORT CARPET MILLS, INC.

Date: April 15, 1992

By: ________________________

Wayne Ariola, President

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Q 92-2273

For quarter ended February 29, 1992

Commission file number 0-17837

PASCALL GROUP, INC.
(Exact name of registrant as specified in this charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-2463799
(I.R.S. Employer Identification No.)

587 Young St., Melbourne, Florida
(Address of principal executive offices)

32935
(Zip Code)

(407) 242-9603
(Registrant's telephone number, including area code)

(Former address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ____ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

100,000,000 shares of common stock were outstanding as of April 9, 1992.

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PART I. FINANCIAL INFOMATION

Item 1. Financial Statements.

PASCALL GROUP, INC.
CONDENSED BALANCE SHEETS
(UNAUDITED)

	FEBRUARY 29 1992	AUGUST 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$35,254	$0
Accounts receivable	$7,381	$27,798
Inventories	$12,885	$18,129
	$55,520	$45,927
PROPERTY & EQUIPMENT:		
Oil and gas properties-under full cost method	$1,213,605	$1,213,605
Land	$3,512,186	$3,767,266
Buildings & improvements	$7,570,509	$8,036,786
Machinery & equipment	$285,453	$284,684
Furniture & fixtures	$32,521	$31,016
Transportation equipment		$180,136
	$12,614,274	$13,513,493
Less: accumulated depreciation & depletion	$671,834	$555,987
	$11,942,440	$12,957,506
OTHER ASSETS:		
Patent & patent development	$382,578	$382,578
Deposits	$850	$850
	$383,428	$383,428
TOTAL ASSETS	$12,381,388	$13,386,861

PASCALL GROUP, INC.
CONDENSED BALANCE SHEETS-(CONT)
(UNAUDITED)

	FEBRUARY 29, 1992	AUGUST 31, 1991
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$11,419,602	$11,857,037
Accounts payable	$144,536	$285,942
Accrued expenses	$1,388,649	$906,625
Note payable to shareholder	$157,510	$175,591
Accounts & notes payable-Atlantic Marina obligations	$259,040	$273,740
Rent & security deposits held	$109,236	$64,236
Loans payable to affiliate	$600,288	
	$14,078,861	$13,563,171
TOTAL LIABILITIES	$14,078,861	$13,563,171
STOCKHOLDERS' EQUITY:		
Common stock, $.002 par value 100,000,000 shares authorized, 71,718,510 issued & outstanding	$143,437	$142,857
Additional paid-in capital	$2,301,693	$2,345,273
Accumulated deficit	($12,077)	($12,077)
Retained earnings-since August 31, 1988	($4,130,526)	($2,652,363)
TOTAL STOCKHOLDERS' EQUITY	($1,697,473)	($176,310)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$12,381,388	$13,386,861

PASCALL GROUP, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTHS ENDED FEBRUARY 28,		THREE MONTHS ENDED FEBRUARY 28,	
	1992	1991	1992	1991
REVENUES:				
Oil and gas income	$35,062	$95,073	$5,287	$43,605
Rental income	$6,900	$171,899		$117,641
Marina income	$41,683	$99,614	$25,673	$37,019
Construction income		$68,837		$53,798
Medical income		$6,000		
Vending income	$12,078	$250,000	$78	$250,000
Interest income		$1,552		$1,552
	$95,723	$693,775	$31,038	$503,615
EXPENSES:				
Oil and gas operating & development expenses	$28,326	$87,149	$27,873	$27,564
Rental costs	$520	$7,970	($400)	$5,700
Marina costs	$15,030	$49,314	$8,942	$21,552
Vending costs	$7,335		$5,714	
Construction costs		$68,837		$53,798
Medical costs		$16,088	($400)	$2,026
General and administrative	$692,500	$371,506	$469,894	$150,835
Depreciation, depletion & amortization	$217,510	$205,000	$135,010	$113,500
Interest expense	$539,693	$403,853	$246,150	$310,620
Loss on foreclosures	$17,400		$17,400	
Loss of equity in investment	$55,564		$55,564	
	$1,573,886	$1,209,717	$965,675	$701,593
NET INCOME (LOSS) BEFORE INCOME TAXES	($1,478,163)	($515,942)	($934,637)	($197,978)
INCOME TAXES (REDUCTION)				
Current	$0	$0	$0	$0
Deferred	$0	$0	$0	$0
	$0	$0	$0	$0
NET INCOME (LOSS)	($1,478,163)	($515,942)	($934,637)	($197,978)
WEIGHTED AVERAGE SHARES OUTSTANDING	71710510	70563720	71710510	70863750
NET INCOME (LOSS) PER SHARE	($0.0209)	($0.0073)	($0.0132)	($0.0028)

PASCALL GROUP, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	SIX MONTHS ENDED FEBRUARY 28, 1992	SIX MONTHS ENDED FEBRUARY 28, 1991
Net income (loss)	($1,478,163)	($515,942)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion & amortization	$217,510	$205,000
Decrease (increase) in accounts receivable	$20,417	($85,014)
Decrease (increase) in inventories	$5,244	($6,008)
Decrease (increase) in prepaid expenses	$0	($18,106)
Decrease (increase) in deposits	$0	$0
Increase (decrease) in accounts payable	($156,106)	$59,504
Increase (decrease) in deferred income	$0	$13,000
Increase (decrease) in accrued expenses	$482,024	$41,173
Increase (decrease) in deposits received	$45,000	$308,082
NET CASH PROVIDED FROM (USED) FOR OPERATING ACTIVITIES	($864,074)	$1,689
INVESTING ACTIVITIES:		
Purchase of property & equipment	($2,274)	($8,507,290)
Disposition of land & building on foreclosure	$799,830	
Loan costs		($2,063)
Investments		($103,000)
Patent & patent development costs	$0	$0
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	$797,556	($8,612,353)
FINANCING ACTIVITIES:		
Increase (decrease) in notes payable	($437,435)	$7,998,793
Increase (decrease) in due to affiliate	$600,288	$116,122
Increase (decrease) in note payable-shareholder	($18,081)	$306,566
Issuance of capital stock	$37,000	$264,600
Reduction in paid in capital	($80,000)	
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	$101,772	$8,686,081
NET INCREASE (DECREASE) IN CASH	$35,254	$75,417
CASH AT BEGINNING OF PERIOD	$0	$2,022
CASH AT END OF PERIOD	$35,254	$77,439

PASCALL GROUP, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED FEBRUARY 28, 1992
(UNAUDITED)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	RETAINED EARNINGS	TOTAL
Balance Novembr 30, 1991	$162,857	$2,365,273	($12,077)	($2,652,363)	($176,310)
Net loss for six months ended February 29, 1992				($1,478,163)	($1,478,163)
Sales of common stock	$580	$36,420			$37,000
Reduction of prior period purchase price		(100,000)			(100,000)
	$163,437	$2,301,693	($12,077)	($4,130,526)	($1,697,473)

PASCALL GROUP, INC.
NOTE TO FINANCIAL STATEMENTS

The Consolidated Condensed Balance Sheets at February 29, 1992 and August 31, 1991 and the related Consolidated Condensed Statements of Operations for the three months ended February 28, 1992 and 1991 and Consolidated Condensed Statements of Cash Flows for the three months ended February 28, 1992 and 1991, have been prepared in accordance with the instructions for Form 10-Q, and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in cash position in conformity with statements, including footnotes thereto,included in the Company's Annual Report on Form 10-K for the year ended August 31, 1989. In the opinion of Management, all adjustments considered necessary for a fair presentation of the results of operations for the three months ended February 28, 1992 have been included.

The Company has not filed its Form 10-K for the year ended August 31, 1990 or August 31, 1991. However, management does not believe that there will be significant charges to the Company's net deficit.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

During the quarter, the Company had total revenues of $31,038. Revenues from oil and gas operations of $5,287 were from the sale of oil and gas primarily from the Company's Pawnee/Warwick and Mueller wells. The Company had $25,673 in income from its Eau Gallie Yacht Basin property. An additional $78 was realized from the sale of Coinex equipment.

Oil and gas operating expenses incurred by the Company were from the Pawnee/Warwick wells and the Lenapah Field and Mueller Field. Electronice Vending Machine costs were for the production of the vending machines sold. General and administrative expenses consisted mostly of legal and professional fees, publicity and marketing expenses, and general office overhead. Interest was from the Company's loans outstanding.

The Company's liquidity during the quarter was provided to the Company from an affiliate for $600,288.

The Company's capital requirements for the next quarter will be largely for continuing operations and overhead. As capital becomes available to the Company, it expects to perform improvements on its oil and gas and marina properties and expand its medical marketing activities and its electronic vending machine operations.

The Company is in default on all of its long-term debt. Accordingly all of the debt has been classified as current. Financial institutions have instituted foreclosure proceedings against the Company's collateral and the Company is vigorously pursuing a restructuring of its debt and defending such foreclosures due to non-extension of loans by the banks and/or unfair banking practices.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Item 2. Changes in Securities.

Item 3. Defaults Upon Senior Securities.

Item 4. Submission of Matters to a Vote of Security Holders.

Item 5. Other Information.

Item 6. Exhibits and Reports on Form 8-K.

There were no reports on Form 8-K filed by the Company in the fiscal quarter ended February 29, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PASCALL GROUP, INC.

Date: April 14, 1992

By:
Spiro Armenis, President and
Chief Executive Officer

By:
Richard L. Romans
(Chief Financial and
Accounting Officer)

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FORM 10-Q

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For Quarter Ended February 29, 1992 Commission File No. 33-23143-FW

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PATRIOT FINANCIAL CORPORATION

(Exact name of registrant as specified in it

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LSU

Colorado	84-1070278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Empl. Ident. No.)
12800 Brookprinter Pl., Poway, California	92064
(Address of principal executive offices)	(Zip Code)

(619) 679-1504
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest possible date:

Common Stock, $.00001 par value	30,447,500
(Class)	(Outstanding at March 27, 1992)

PATRIOT FINANCIAL CORPORATION
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SIGNATURES

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PATRIOT FINANCIAL CORPORATION
(A development stage company)
BALANCE SHEETS

	February 29 1992 (Unaudited)	May 31, 1991 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$609,031	$6,804
Prepaid expenses	13,750	-
	622,781	6,804
EQUIPMENT	5,580	-
OTHER ASSETS		
Organization Costs - Net	568	859
TOTAL ASSETS	$628,929	$7,663
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$47,522	$50,087
STOCKHOLDERS' EQUITY (Note 3)		
Preferred stock, no par value; 20,000,000 shares authorized		
Common stock, $.00001 par value; authorized 500,000,000 shares; issued and outstanding - 30,107,500 and 22,500,000, respectively	301	225
Additional paid in capital	868,902	128,615
Common stock subscribed	-	21,000
Deficit accumulated during the development stage	(287,796)	(192,264)
TOTAL STOCKHOLDERS' EQUITY	581,407	(42,424)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$628,929	$7,663

See notes to financial statements.

PATRIOT FINANCIAL CORPORATION
(A development stage company)
STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended Feb 29, 1992	Three months ended Feb 28, 1991	Nine months ended Feb 29, 1992	Nine months ended Feb 28, 1991	Inception (June 10, 1987) to February 29 1992
REVENUES					
Interest and dividends	$3,173	$ -	$3,173	$5	$5,353
EXPENSES					
Research and development	5,651	11,303	25,810	30,264	145,321
Marketing	17,589	-	35,089	-	35,089
General and administrative	12,047	563	37,806	17,941	112,739
	35,287	11,866	98,705	48,205	293,149
NET LOSS	($32,114)	($11,866)	($95,532)	($48,200)	($287,796)
NET LOSS PER COMMON SHARE	($0.001)	($0.001)	($0.004)	($0.002)	
Weighted average number of common shares outstanding during the period	22,750,800	22,500,000	22,583,300	22,500,000	

See notes to financial statements.

PATRIOT FINANCIAL CORPORATION
(A development stage company)
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended		Inception (June 10, 1987) to
	Feb 29, 1992	Feb 28, 1991	February 29 1992
CASH FLOW FROM OPERATING ACTIVITIES			
Net loss	($95,532)	($48,200)	($287,796)
Items not requiring cash:			
Amortization	291	291	1,371
Common stock issued for technology and services	-	-	430
Net (increase) decrease in prepaid rent	(13,750)	2,550	(13,750)
Net increase (decrease) in current liabilities	(2,565)	38,610	47,522
Net cash flow used in operating activities	(111,556)	(6,749)	(252,223)
CASH FLOW USED FOR:			
Intangible assets and deposits	-	-	(1,939)
Purchase of equipment	(5,580)	-	(5,580)
	(5,580)	-	(7,519)
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of common stock and warrants	719,363	-	868,773
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	602,227	(6,749)	609,031
CASH AND CASH EQUIVALENTS:			
Beginning of period	6,804	6,749	-
End of period	$609,031	$0	$609,031

PATRIOT FINANCIAL CORPORATION
(A development stage company)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. OPERATIONS

Patriot Financial Corporation (the "Company") is a development stage company and has acquired and is engaged in the development of ground penetrating radar technology. Since its inception, the Company has incurred recurring losses and only recently obtained additional capital to engage in planned development activities. See Note 3.

2. STATEMENT PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. They do not include all information and footnotes required by generally accepted accounting principles. The interim financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended May 31, 1991.

In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. Operating results for the three and nine month periods are not necessarily indicative of the results that may be expected for the year.

3. STOCKHOLDERS' EQUITY

The following table summarizes changes to common stock and paid-in capital during the nine month period ended February 29, 1992:

	Common Shares	Amount	Subscribed	Additional Paid-in Capital	Total
Balance at May 31, 1991	22,500,000	$225	$ 21,000	$128,615	$149,840
Private sale of units (1) net of $20,387 of issuance costs	7,607,500	76	(21,000)	740,287	719,363
Balance at February 29, 1992	30,107,500	$301	$ -	$868,902	$869,203

3. STOCKHOLDERS' EQUITY (Cont'd)

(1) Each unit was issued for gross proceeds of $.10 per unit and consisted of one common share and one Class A common stock purchase warrant on the same terms as existing warrants.

A total of 15,000,000 shares of the Company's issued common stock are subject to an escrow arrangement releasable on the performance of the ground penetrating radar technology. Any shares not released prior to August 10, 1994 are subject to cancellation.

At February 29, 1992 the Company had a total of 11,107,500 Class A common stock purchase warrants outstanding. The holders of Class A warrants are entitled to receive one share of common stock and one Class B common stock purchase warrant for each Class A warrant exercised. The Class A warrants are exercisable until December 31, 1992 at an exercise price of $.10 per share and the Class B warrants, when issued, are exercisable until June 30, 1993 at an exercise price of $.20 per share, with both classes subject to earlier redemption by the Company on 30 day notice. The warrant expiration dates may be extended indefinitely by the Company and the exercise price of the warrants reduced at the Company's discretion. The warrants may not be exercised or redeemed unless the Company maintains a current prospectus in effect during the respective exercise and redemption periods of the warrants.

During March 1992 the Company received additional proceeds upon completing the private placement totalling $34,000 and issued an additional 340,000 common shares and 340,000 Class A common stock purchase warrants. Thereupon the Company had a total of 30,447,500 common shares outstanding and 11,447,500 Class A common stock purchase warrants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General. The Company is in the development stage. Until the acquisition of proprietary technology relating to ground penetrating radar on August 10, 1989, the Company had no significant operations and was primarily engaged in financing activities and the search for and evaluation of acquisition targets. The Company is now engaged in financing the development of and developing its ground penetrating radar technology. The Company has not generated any operating revenues to date.

Results of Operations. During the nine months ended February 29, 1992, the Company's operations consisted of research and development, marketing and financing activities.

Research and development costs for the nine months ended February 29, 1992 totalled $25,810 consisting primarily of salaries and benefits. This is a decrease of $4,454 from research and development costs of $30,264 for the comparable period of the prior year.

In anticipation of the private offering and in support thereof, the Company incurred marketing costs of $35,089 for the nine months ended February 29, 1992 ($17,589 for the three months then ended), consisting of salaries and benefits and occupancy and office costs. There were no marketing expenditures during comparable periods of the prior year.

General and administrative expenses were $12,047 and $37,806 for the three months and nine months ended February 29, 1992. This compares to $563 and $17,941 for the comparable three and nine month periods ended February 28, 1991. The Company's general and administrative expenses have varied from period to period due primarily to changes in legal and compensation costs. The increases in current periods over comparable periods of the prior year are due primarily to increases in compensation and consulting costs.

The Company incurred a loss of $95,532 during the nine months ended February 29, 1992 compared to a loss of $48,200 for the comparable nine months of the prior year. The increase in the loss of $47,332 is primarily the result of marketing expenses of $35,089 during the current year versus nil for the prior year and an increase in general and administrative costs.

Liquidity and Capital Resources. Since its inception on June 10, 1987 and prior to the technology acquisition on August 10, 1989, the Company had minimal working capital requirements and obtained its capital from the sale of common stock. Since its acquisition of the technology and through February 29, 1992 the Company has obtained $843,000 of equity capital to be utilized to finance the Company's continued development and financing activities.

At February 29, 1992, the Company had working capital of $575,259 compared to a working capital deficit of $43,283 at May 31, 1991.

Other than its obligation pursuant to the employment agreement with its President providing for a salary of $3,500 per month and an obligation for $50,000 upon successful prototype development, the Company has no material commitments for capital expenditures. The Company anticipates commitments during the last fiscal quarter for approximately $400,000 of laboratory equipment. The Company believes that proceeds from the private offering will provide sufficient funds to acquire the equipment and provide the estimated $150,000 of operating and other costs during the six month period estimated to be required for development of a prototype ground penetrating radar device. The Company may require additional funds for operations and marketing thereafter.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

NONE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PATRIOT FINANCIAL CORPORATION

Date: March 27, 1992

By R. Putnam

Robert Putnam, Secretary
Treasurer and Director
(Principal Financial and
Accounting Officer and duly
authorized to sign on behalf
of the Registrant)

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT ISSUED UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Period Ended December 31, 1991

Commission file number
~~33-15925-NY~~
0-19295

ROCK•A•BYE BABY, INC./DE
(Exact name of registrant as specified in its charter)

Delaware	PROCESSED BY 15-15.H JUN 11 1992 Microfilmed by Q-Data Corp. - St. Petersburg, FL	13-3445126
State of other jurisdiction of incorporation)	120	(IRS Employer Identification Number)

1404 Southwest 13th Court Pompano Beach, Florida 33069

(Address of principal Executive offices) (Zip Code)

Registrant's telephone number, including area code (305) 942-7990:

Indicate by a checkmark whether the registrant has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes_____ No__X__

Indicate the number of shares outstanding of each of the issuer's classes common stock, as of the latest practicable date.

Class	Outstanding at December 31, 1991
Common Stock, $0.01 par value	14,236,880

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QUARTER ENDED DECEMBER 31, 1991

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ROCK•A•BYE BABY, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS	December 31, 1991	June 30, 1991
Current assets:		
Cash	$ 62,307	$ 458,756
Marketable securities	399,721	395,290
Accounts receivable	248,729	375,207
Inventory	449,310	356,621
Other current assets	32,689	22,123
Total current assets	1,192,756	1,607,997
Furniture and equipment	144,913	92,181
Accumulated depreciation	(24,152)	(15,604)
	120,761	76,577
Note receivable	300,000	300,000
Investment	115,000	45,000
Intangible assets	247,391	82,009
Other assets	6,199	6,199
Total assets	$1,982,107	$2,117,782

See accompanying notes to financial statements

ROCK•A•BYE BABY, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1991	June 30, 1991
Current liabilities:		
Line of Credit	$ 70,000	$
Advance from officer and shareholder	-	70,000
Notes payable to related parties	188,350	188,350
Accounts payable and accrued expenses	551,441	793,777
Total current liabilities	809,791	1,052,127
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred Stock	400	
Common stock	140,592	140,592
Additional paid-in-capital	3,717,404	3,317,804
Retained deficit	(2,686,080)	(2,392,741)
Total stockholders' equity	1,172,316	1,065,655
Total Liabilities	$ 1,982,107	$ 2,117,782

See accompanying notes to financial statements

ROCK•A•BYE BABY, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	1992	1991	1992	1991
Sales	$ 404,320	$ 142,953	$ 769,472	$ 299,212
Cost of goods sold	222,376	93,344	432,681	200,071
Gross profit	181,944	49,609	336,791	99,141
Selling, general and administrative	430,299	132,775	697,622	256,459
Operating loss	(248,355)	(83,166)	(360,831)	(157,318)
Other income (expense):				
Interest expense	(18,941)	(14,500)	(27,941)	(27,800)
Interest income	9,263	-	22,277	-
Other income (expense)	70,000	(148,193	72,661	(148,193)
	60,322	(162,693)	67,492	(175,993)
Net profit (loss)	$(188,033)	$(245,859)	$(293,339)	$(333,311)
Net loss per share	$ (.013)	$ (.08)	$ (.02)	$ (.12)
Weighted average shares outstanding	14,059,210	2,914,170	14,059,210	2,774,568

See accompanying notes to financial statements

ROCK•A•BYE BABY, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31,	
	1991	1990
Net profit (loss)	$(293,339)	$(333,311)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8,548	1,922
Write off of intangible	-	-
Value of stock issued for acquisition of Advanced Industries, Inc.		148,193
Change in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	126,478	(51,984)
Inventory	(92,689)	(30,830)
Other current assets	(10,566)	(66,715)
Other assets	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(242,336)	27,622
Total adjustments	(210,565)	(27,717)
Net cash (used in) operating activities	(503,904)	(305,594)

See accompanying notes to financial statements

ROCK•A•BYE BABY, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31,	
	1991	1990
Cash flows from investing activities		
Purchase of license agreements	(165,382)	(15,000)
Purchase of equipment	(52,732)	(2,751)
Investment in marketable securities	(4,431)	-
Deposits	-	(2,378)
Net cash provided from (used in) investing activities	(222,545)	(20,706)
Cash flows from financing activities:		
Payment of:		
Notes payable related party	-	(98,500)
Advance to officer and shareholder	(70,000)	-
Common stock canceled	-	(10,827)
Proceeds from:		
Line of Credit	70,000	-
Issuance of preferred stock	400,000	500,000
Net cash provided from (used in) financing activities	400,000	(390,673)
Net increase (decrease) in cash	396,449	64,373
Cash at beginning of period	458,756	4,397
Cash at end of period	$ 62,307	$ 68,770

See accompanying notes to financial statements

NOTE 1: BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods.

The information contained in Form 10-Q should be read in conjunction with the Company's Form 10-K for the year ended June 30, 1991.

The results of operations for the three and six month periods ended December 31, 1991 are not necessarily indicative of the results to be expected for the full year.

NOTE 2: INVENTORIES:

The composition of inventories at December 31, 1991 and June 30, 1991 are as follows:

	December 31,	June 30,
Components	$197,656	$290,018
Finished goods	251,654	66,603
	$449,310	$356,621

NOTE 3: INVESTMENTS AND ACQUISITION

On April 8, 1991, the Company purchased $300,000 of 10% Convertible Notes from Creative Learning Products, Inc. ("Creative"), a public company which manufactures and markets children's educational products. The notes are convertible into 300,000 shares of Creative Common Stock and due March 1, 1996. Creative is related to the Company by having a common director. Creative gave the Company 70,000 shares of its common stock valued at $.64 each as a fee for the Company to make the investment. The Company recorded this fee of $45,000 as Other income placement fee.

On October 17, 1991, the Company was given an additional 70,000 shares of Creative Common Stock, due to the decline in the market price of the underlying shares. At September 30, 1991, the common stock of Creative was trading at $.875 per share.

NOTE 4: LINE OF CREDIT

In fiscal year 1991, the Company negotiated a line of credit with a financial institution for borrowings of up to $300,000 bearing interest at the annual rate of the prime rate plus one to be due June 30, 1992 and to be secured by marketable securities held by the financial institution's related company The securities had a market value of $399,721 as of December 31, 1991.

NOTE 5: INCOME TAXES

The Company has a net operating loss carryforward for financial reporting and tax purposes of approximately $2,600,000 available to the year 2005 which may be used to reduce future taxable income. Because of the change in ownership, a portion of the net operating loss carryforwards are subject to limitations based upon Code Section 382 of the Internal Revenue Code of 1986. As a result of the Code Section, the net operating losses may not be currently utilized.

NOTE 6: LOSS PER COMMON SHARE

Loss per common share has been computed by dividing the net loss for the period indicated by the weighted average common shares outstanding.

NOTE 7: COMMITMENTS:

On October 15, 1991, the Board authorized an amendment to the President's agreement (1) deleting, on a retroactive basis to March 1, 1991, the prior provision relating to the payment of incentive compensation mentioned above; and (2) providing that his annual base salary be increased to $120,000 and $126,000 effective as of October 1, 1991 and July 1, 1992, respectively; (3) he was also granted a warrant expiring October 31, 1995 to purchase 500,000 shares of the common stock at $1.00 per share and was granted "piggy-back" registration rights with respect to such shares.

NOTE 8 SUBSEQUENT EVENTS

In September, 1991, the Company began to offer by a private placement memorandum up to 200,000 shares of its 10% Series B Convertible Preferred Stock at a price of $10.00 per share or gross proceeds of $2,000,000. Each share of the Series B Preferred Stock is convertible, in multiples of 100 shares of the Preferred Stock, into 1,250 shares of the Common Stock. If all 200,000 shares of the Series B Preferred Stock are converted, an aggregate of 2,500,000 shares of the Common Stock will be issued. No shares of the Series B Preferred Stock may be converted unless the shares of the Common Stock into which the Series B Preferred Stock is convertible are registered. The Company has the obligation to file as expeditiously as possible after the closing date a registration statement.
As of April 30, 1992 65,000 shares of the Series B Preferred stock had been sold.

NOTE 9 PRODUCT ACQUISITIONS

Bathtime Baby Products

The Company entered into an agreement on August 30, 1991 with Bathtime Baby, Inc. ("Bathtime Baby") and its President for the exclusive license to produce and market Bathtime Baby Products, a line of children's terry cloth bath accessories, including the patented "Easy Dry Baby Towel" product.

Pursuant to the terms of the agreement, the Company paid a one-time licensing fee of $56,400 (of which $15,000 was paid in November, 1991 by the issuance of 15,000 shares of the Company's common stock). Royalty payments under the agreement are five percent of the "net wholesale price" (as defined) of the products. The Company also agreed to pay, beginning in the second year of the agreement and for each succeeding year, a minimum guaranteed annual royalty of $20,000, pro-rated monthly. Pursuant to the terms of the agreement, any new products, procedures or technology developed by Bathtime Baby become the property of the Company. The licensing agreement with Bathtime Baby also gives the Company control of Bathtime Baby's production facility in Selma, Alabama. The Company commenced sales of the product line at the JPMA Show in October, 1991.

My Potty Game Product

Pursuant to a ten-year renewable agreement dated July 1, 1991, the Company acquired the licensing rights to the My Potty Game product, a unique toilet training program for toddlers. The Company commenced sales of the My Potty Game product at the JPMA Show in October, 1991.

NOTE 9 PRODUCT ACQUISITIONS (Continued)

My Potty Game Product (Continued)

Under the agreement, the Company paid a one-time licensing fee of $15,000 and, in November, 1991, will issue 10,000 shares of the common stock, which shares the Company has agreed to register whenever it files its next registration statement under the Securities Act of 1933, as amended (the "Securities Act"). The Company has also agreed to pay annual royalty payments of five percent of the "net wholesale price" (as defined) and has the option to terminate the agreement at the end of the third year by paying the royalty amount due for that year.

Shield•A•Burn Product

On September 27, 1991, the Company entered into an agreement with SAB Products, Inc. ("SAB") for the exclusive license to manufacture and market "Shield-A-Burn", a proprietary product which mounts on kitchen stoves and cook tops to prevent toddlers from touching hot burners or pots on top of the stove, and guards against other stove-top related accidents.

Pursuant to the agreement, the Company paid a one-time licensing fee of $15,000, and is obligated to make royalty payments monthly at the rate of 3.5% of the net wholesale price on all sales of $9.00 per unit or less, and 5% of the net wholesale price on all sales of $9.01 or more. The term of the license agreement is ten years, with one renewal term of five years exercisable by the Company at its option.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Sales for the three-month period ended December 31, 1991 increased by $261,367 or 183% over sales in the comparable period ended December 31, 1990. Sales for the six-month period ended December 31, 1991 increased by $470,260 or 157% over the comparable period in 1990. Management attributes these sales increases to the expanded product line and increased customer base, both achieved during calendar 1991. Management believes, however, that it's ability to generate sales increases beyond those attained was hampered by the inability of its investment banking firm to provide the funds required for this continued expansion in a timely manner. Cost of goods sold in the three-month period ended December 31, 1991 was 55% of sales,compared to 65% of sales in the same period of 1990. Cost of goods sold for the six-months ended December 31, 1991, was 56% of sales compared to 66% in the same period of 1990. The gross profit margin for the three month period ended December 31, 1991, was 45% compared to 35% in the comparable period ended December 31, 1990. The gross profit margin for the six-month period ended December 31, 1991, was 44% compared to 34% in the comparable period ended December 31, 1990.

Included in the selling, general, and administrative expenses for the three-month period ended December 31, 1992, is a one-time charge of $70,000 related to the Company's investment in Creative Learning Products, Inc. Normal selling, general and administrative expenses during the three-month period ended December 31, 1991 increased by $227,524 or 171% over such expenses in the comparable period ended December 31, 1990. Selling, general and administrative expenses during the six-month period ended December 31, 1991 increased by $371,163 or 145% over the comparable period ended December 31, 1990. Management attributes the increased costs to items directly related to increased sales, specifically additional payroll, sales commissions, and royalty payments on licensed products. Additionally the company continued to incur unusually high professional fees related to it's registration statement and private placement, as well as it's litigation with Knight Industries, Inc., which is discussed in detail herein. Finally, one-time costs related to the acquisition and licensing of the Bathtime Baby product line and Shield•A•Burn, and advertising and promotional expenses connected with the introduction of these products and the Company's increased trade show schedule, contributed to these increased expenses. The net loss for the three-month period ended December 31, 1991 decreased by $57,826 or 23.5% compared to the three-month period ended December 31, 1990. The net loss for the six-month ended December 31, 1991, decreased by $39,972 or 12% compared to the same period ended December 31, 1990.

Results of Operations (continued)

Because many vendors were concerned about the Company's financial condition in the past, the Company has been required to prepay for certain merchandise required for product manufacture. Management anticipates that, as the Company's operational results improve and vendors become aware of the Company's improved liquidity, the problem will disappear; however, there is no assurance that this will happen and, if it does, when. In addition, because many of the Company's manufacturing sources are located outside the United States, the Company must conform to the industry standard of paying for products manufactured on its behalf up to 90 days prior to receipt of such products through the issuance of letters of credit. The Company then, in many instances, has to wait as long as 90 days to receive payment for the products from its customers. This nearly six-month time span from payment to collection puts serious constraints on the Company's cash flow.

Liquidity and Capital Resources

As of December 31, 1991, the Company had a stockholders' equity of $1,172,316, an increase of $106,661 from the stockholders' equity of $1,065,655 as of June 30, 1991. The Company had working capital of $382,965 as of December 31, 1991, compared with working capital of $555,870 as of June 30, 1991.

The Company has begun to offer by a private placement memorandum up to 200,000 shares of its 10% Series B Convertible Preferred Stock at a price of $10.00 per share or gross proceeds of $2,000,000 of which $650,000 has been received by December 1, 1991. Each share of the Series B Preferred Stock is convertible, in multiples of 100 shares of the Preferred Stock, into 1,250 shares of the Common Stock. If all 200,000 shares of the Series B Preferred Stock are converted, an aggregate of 2,500,000 shares of the Common Stock will be issued. No shares of the Series B Preferred Stock may be converted unless the shares of the Common Stock into which the Series B Preferred Stock is convertible are registered. The Company has the obligation to file as expeditiously as possible after the closing date a registration statement. As od April 30, 1992, 65,000 shares of the Series B Preferred Stock has been sold.

Part II. Other Information

Item 7. Legal Proceedings

On February 6, 1991, Knight Industries, Inc. instituted an action against the Company in Broward County, Florida, Circuit Court, seeking $205,150, plus interest, based on notes payable by the Company to Knight when the companies were under common control. Because the Company has previously reflected in its balance sheet $188,350 of the claimed indebtedness in the legal proceeding and has asserted certain defenses to the allegations of Knight, as well as material counterclaims against Knight, management has been of the opinion that resolution of this action will not have any materially adverse impact on the Company's financial condition.

On April 20, 1992, the Company resolved its dispute with Knight, settling all claims and exchanging mutual releases. As a result of this agreement, the notes payable were satisfied for the payment of $87,500 and other considerations, including 150,000 shares of the Company's common stock, and 120,000 shares of the common stock of Creative Learning Products, Inc., held by the Company. The Company also agreed to transfer to Knight 100,000 shares of the stock of Medical Telecom and the approximate 5,000,000 shares of Knight common stock held by the Company, these shares having been carried on the balance sheet of the Company at no value.

On April 7, 1992, the Company declared Creative Learning Products in default of its agreement under which the Company purchased $300,000 of Creative's Convertible Preferred Notes. On May 4, 1992, the Company reached a new agreement with Creative and withdrew its notice of default. Under the terms of the new agreement, Creative has brought its payment of interest current, has agreed to pay interest monthly, and has agreed to commence immediately a registration statement covering the common shares underlying the Convertible Notes as well as the Convertible Preferred Shares owned by the Company. Additionally, Creative has guaranteed the $300,000 value of the shares underlying the Notes, once registered, by agreeing to provide additional registered shares or pay in cash to the Company the difference between the amount the Company realizes from the eventual sale of the registered shares and the $300,000 face value of the Notes. Finally, Creative has also agreed, in the event its current efforts to raise funds secure funds in excess of $500,000, to repurchase the Notes from the Company on a pro-rata basis, with the opportunity to secure a 10% discount if all Notes are repurchased within one year of the date of the agreement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 1, 1992

ROCK•A•BYE BABY, INC.
(Registrant)

Andrew Horn
President

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended **March 31, 1992** Commission File No. 2-68795

SEARCH NATURAL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of other jurisdiction of incorporation or organization)

41-1356819
(I.R.S. Employer Identification No.)

4900 First City Center, 1700 Pacific Avenue, Dallas, Texas 75201
(Address of principal executive offices)

Registrant's telephone number, including area code: **(214) 954-0946**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

As of May 14, 1992, there were 3,145,630 shares outstanding of Registrant's $.01 par value common stock.

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PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SEARCH NATURAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	March 31, 1992	December 31, 1991
ASSETS		
Automobile contract receivables, net	$2,670,000	$ 1,280,000
Cash and cash equivalents (carrying value approximates market value)	62,000	194,000
Restricted cash	654,000	466,000
Notes receivable - related party	213,000	163,000
Other receivables	148,000	44,000
Vehicles held for resale	145,000	45,000
Deferred notes payable offering costs, net of amortization of $62,000 and 30,000, respectively	738,000	461,000
Furniture, equipment and other assets, net of accumulated depreciation of $61,000 and $52,000, respectively	179,000	163,000
Proved oil and gas properties, full cost method, net of amortization of $40,000 and $41,000, respectively	10,000	10,000
	$4,819,000	$2,826,000

SEARCH NATURAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 1992	December 31, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Investor funds in escrow	$ -	$ 86,000
Notes payable	3,886,0000	1,923,000
Accounts payable	260,000	236,000
Accrued interest	70,000	41,000
Preferred Dividends Payable	32,000	-
Total liabilities	4,248,000	2,286,000
Preferred Stock - Class B, $.01 par value, 11% cumulative, 582,510 shares issued and outstanding (liquidation preference of $1,148,000 plus accrued dividends)	1,183,000	1,183,000
Less note receivable	(1,088,000)	(1,088,000)
Net Preferred Stock-Class B	95,000	95,000
Stockholders' Equity (Deficit):		
Preferred stock - class A, $.01 par value, 9% cumulative, no shares issued or outstanding	-	-
Common stock, $.01 per value, 20,000,000 shares authorized, 4,915,894 shares issued	49,000	49,000
Additional paid-in capital	5,207,000	5,207,000
Treasury stock at cost, 1,770,219 shares	(51,000)	(51,000)
Accumulated deficit	(4,728,000)	(4,760,000)
Total Stockholders' Equity (Deficit)	476,000	445,000
	$ 4,819,000	$ 2,826,000

SEARCH NATURAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Interest income	$ 332,000	$ 30,000
Interest expense	(121,000)	-
Net interest income	211,000	30,000
General and administrative expenses	153,000	59,000
Other Income (Expenses):		
Oil and gas sales	5,000	5,000
Total Other Income (Expense)	148,000	54,000
Income from continuing operations	63,000	(24,000)
Discontinued Segment:		
(Loss) income from operations	-	(65,000)
Net income (loss) before taxes	63,000	(89,000)
Income taxes	21,000	-
Net income	42,000	89,000
Extraordinary Item:		
Utilization of net operating loss carryforward	21,000	-
Net Income (Loss)	63,000	89,000
Preferred stock dividends	(32,000)	32,000
Net income (loss) attributable to common shareholders	$ 31,000	$ (121,000)
Income (loss) per share attributable to common shareholders:		
Income (loss) from continuing operations	$ .02	$ (.01)
Net income (loss)	$ .01	$ (.04)
Weighted average number of common shares outstanding	3,146,000	3,146,000

SEARCH NATURAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
OPERATING ACTIVITIES:		
Net income (loss)	$ 31,000	$ (121,000)
Adjustments to reconcile to cash from operations:		
Depreciation, amortization and impairment	181,000	10,000
Changes in assets and liabilities:		
Accounts receivable	(104,000)	11,000
Accounts payable and accrued expenses	(1,000)	70,000
Other, net	-	12,000
Cash provided by (used in) operations	107,000	(18,000)
INVESTING ACTIVITIES:		
Purchase of contract receivables	(1,699,000)	-
Principal payments on contract receivables	69,000	-
Investment in oil and gas partnership	-	(34,000)
Payments for furniture, equipment and other assets	(25,000)	-
Increase in certificates of deposit and restricted cash	(188,000)	-
Increase in notes receivable	(50,000)	(48,000)
Cash provided by (used in) investing activities	(1,893,000)	82,000

SEARCH NATURAL RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
FINANCING ACTIVITIES:		
Notes payable proceeds	2,005,000	-
Notes payable repayments	(42,000)	-
Notes payable offering costs	(309,000)	-
Cash provided by (used in) financing activities	1,654,000	-
Change in cash and cash equivalents	(132,000)	(100,000)
Cash and cash equivalents - beginning	194,000	452,000
Cash and cash equivalents - ending	$ 62,000	$ 352,000
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 121,000	$ -

SEARCH NATURAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL INFORMATION

The information presented herein includes adjustments which the company believes are necessary for fair presentation of its financial position and results of operations. Substantially all of the disclosures required for annual financial reports have been omitted. These interim financial statements are related notes are unaudited, and should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 1991.

In April, 1991, the Company acquired a 70% interest in Automobile Credit Acceptance Corp. ("ACAC"), an emerging consumer finance company specializing in the purchase, packaging, and reselling of consumer automobile notes to investors. At March 31, 1992, the company had completed and closed four funds, the Automobile Credit Fund 1990-I, Ltd., for $330,000, the Automobile Credit Fund 1991-II, Ltd., for $1,000,000, the Automobile Credit Fund 1991-III, Inc., for $1,000,000, and the Company's first public fund, Automobile Credit Finance, Inc., for $1,707,000. As of April 30, 1992, the Company has raised an additional $726,000 in its public Automobile Credit Finance, Inc. fund, which will close at May 31, 1992. Finally, during April, 1992, the Company raised an additional $1,000,,000 for Automobile Credit Partners, Inc. ("Partners"). Partners is not owned by Search, but is owned by Arlington Paper Traders, Inc., an affiliate of Consumer-Dealer AutoCredit Corporation, who acts as the primary sub-purchaser and servicer for AutoCredit Funds. For its efforts in Partners, ACAC received a $75,000 marketing and organization fee, plus 50% of all residual profits of Partner's profits net of return of investors $1,000,000 investment repayment. These April, 1992 amounts will be presented on the Company's financial statements in appropriate fashion in its June 30, 1992 quarterly report. After repayment of investor principal and interest, ACAC will retain the ownership and benefit of residual profits, net of payments to auto note sub-servicers and purchasers.

2. INSTALLMENT RECEIVABLES

Installment contract receivables primarily require bi-weekly or semi-monthly payments and as of March 31, 1992 consisted of the following:

Future payments receivable related to installment notes	$ 4,808,000
Less: unearned interest income	(1,176,000)
Principal portion of notes receivable	3,632,000
Less: allowance for credit losses	(962,000)
	$ 2,670,000

At March 31, 1992, contractual maturities of installment receivables were as follows:

	Year Ending December 31,			
	1992	1993	1994	Total
Future payments receivable	$1,731,000	$2,308,000	$769,000	$4,808,000
Less unearned interest income	(646,000)	(490,000)	(40,000)	(1,176,000)
	$1,085,000	$1,818,000	$729,000	$ 3,632,000

In the opinion of management, a certain portion of the customer loan portfolio will be repaid or extended either before or past the contractual maturity date. The above tabulation, therefore, is not to be regarded as a forecast of future cash collections.

The change in the allowance for credit losses is summariz follows:

Balance, December 31, 1991	$ 439,000
Allowance recorded upon acquisition of loans	673,000
Loans charged off	(150,000)
Balance, March 31, 1992	$ 962,000

Most of the Company's installment receivables are due from individuals in the Dallas/Fort Worth metropolitan area of Texas, and to some extent, realization of the receivables will be dependent on the health of the local economy. The Company holds vehicle titles as collateral for all installment receivables until such receivables are paid in full.

3. NOTES PAYABLE

Notes payable and related terms and interest rates as of March 31, 1992 consisted of the following:

Notes payable to investors in Fund 90-I, bearing interest at 15%, principal payments totalling $13,750 and interest are due each month through April 15, 1993.	$ 179,000
Notes payable to investors in Fund 91-II, bearing interest at 21%, monthly interest payments at 15% are due through August 15, 1994 at which time principal and the remaining interest accrued at 6% is due.	1,000,000
Notes payable to investors in Fund 91-III, bearing interest at 21%, monthly interest payments at 15% are due through January 15, 1995 at which time principal and the remaining interest accrued at 6% is due.	1,000,000
Notes payable to investors in Public Fund, bearing interest at 18%, monthly interest payments at 15% are due through January 15, 1995 at which time principal and the remaining interest accrued at 3% is due.	1,707,000
	$ 3,886,000

Installment contract receivables of the applicable Autocredit Funds are pledged as collateral for the notes payable.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's liquidity and financial condition improved during the quarter ended March 31, 1992. Funds received from ACAC activities continue to grow, allowing the Company to acquire more automobile contracts. Fee income from fundraising activities plus existing cash balances are sufficient to fund operating needs at present levels. Management continues to judiciously oversee its expenses and adjust according to revenue and fundraising expectations. Net income from fund operations, while recorded in accordance with generally accepted accounting principles in the current period, is restricted for use by the Company pending investor debt repayment as disclosed herein.

Results of Operations

In December, 1991, the Company sold its Search Oil and Gas Division and all operations, assets, and liabilities related thereto. Such activities for the quarter ended March 31, 1991 are shown in the current form 10-Q as discontinued operations, and accordingly no comparable activities for the quarter ended March 31, 1992 exist.

During the quarter ended March 31, 1992, the Company reported consolidated net income attributable to common shareholders of $31,000. These earnings are principally derived from income of the various ACAC funds. Fee income from fundraising activities was sufficient, along with existing unrestricted cash balances, to need general and administrative cost needs. Net interest income of $211,000 was principally earned from ACAC fund collections, net of investors' interest payments. Other income of $5,000 consists of oil and gas revenues from remaining Search-owned oil and gas reserves, which had a carrying value of $10,000 at March 31, 1992. The Company benefitted from the utilization of $21,000 of its approximately $2.4 million in net operating loss carryforwards during the quarter. Finally, ESOP preferred dividends of $32,000 were accrued during the quarter ended March 31, 1992, which amount was partially offset by $27,000 in interest income from Company's ESOP plan note receivable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEARCH NATURAL RESOURCES, INC.

DATE: May 14, 1992

BY: _________________________
Sam B. Myers, Jr.
Chairman of the Board,
President and Director

DATE: May 14, 1992

BY: _________________________
Richard L. Morgan
Vice President, Treasurer
and Director

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File No. 0-16025

TANDY CREDIT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-2141281 (I.R.S. Employer Identification No.)
1800 One Tandy Center, Fort Worth, Texas (Address of principal executive offices)	76102 (Zip Code)

Registrant's telephone number, including area code: (817) 390-3700

N/A
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

At March 31, 1992 all of the Company's 1,000 authorized common shares ($10 par value) were issued and outstanding. All of these shares were owned by Tandy Corporation.

The registrant meets the conditions set forth in General Instructions (H)(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TANDY CREDIT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
	(In thousands)			
Revenues:				
Interest income, net of amortization of purchase premiums, discounts and loan origination costs	$21,701	$32,551	$59,397	$84,723
Insurance commission income and other income	5,596	5,463	15,991	14,561
Gain on sale of receivables and servicing fee income	5,172	-	19,724	-
	32,469	38,014	95,112	99,284
Costs and expenses:				
Processing costs	3,997	6,324	12,111	17,394
Interest expense and amortization of discount on commercial paper	5,047	11,392	15,078	29,449
Other operating and administrative expenses	399	365	1,221	1,375
	9,443	18,081	28,410	48,218
Income before income taxes	23,026	19,933	66,702	51,066
Provision for income taxes	7,850	6,795	22,739	17,408
Net income	$15,176	$13,138	$43,963	$33,658

The accompanying notes are an integral part of these financial statements.

TANDY CREDIT CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	Mar. 31, 1992	June 30, 1991 (In thousands)	Mar. 31, 1991
Assets			
Cash and short-term investments	$ 4,692	$ 32,267	$ 2,079
Customer accounts receivable, net	445,093	371,975	695,768
Other assets	12,415	11,715	--
Insurance commissions receivable	2,511	2,547	3,555
Receivable from parent	1,089	--	3,325
Unamortized debt issuance costs	257	437	404
Property and equipment, net	--	79	78
	$466,057	$419,020	$705,209
Liabilities and Stockholder's Equity			
Liabilities:			
Accounts payable and accrued expenses	$ 3,183	$ 4,423	$ 4,043
Accrued interest	2,106	7,156	3,335
Income taxes payable	3,579	4,544	798
Deferred income taxes	4,903	4,903	1,028
Commercial paper, net of unamortized discount	--	8,554	238,284
Medium-term notes payable	135,500	214,000	214,000
Note payable to parent	108,000	--	109,000
Payable to parent	--	10,617	--
	257,271	254,197	570,488
Stockholder's Equity:			
Common stock, $10 par value, 1,000 shares authorized, issued and outstanding	10	10	10
Additional paid-in capital	58,747	58,747	58,747
Retained earnings	150,029	106,066	75,964
	208,786	164,823	134,721
	$466,057	$419,020	$705,209

The accompanying notes are an integral part of these financial statements.

TANDY CREDIT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 1992	Nine Months Ended March 31, 1991
	(In thousands)	
Operating activities:		
Net income	$ 43,963	$ 33,658
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of purchase premiums and discounts and loan origination costs	(5,633)	(14,056)
Decrease (increase) in insurance commissions receivable	36	(1,862)
Decrease in accounts payable, accrued expenses and income taxes payable	(7,255)	(966)
Increase in receivable from parent	(1,088)	(3,325)
Decrease in payable to parent	(10,617)	(15,257)
Other	259	215
Net cash provided (used) by operating activities	19,665	(1,593)
Investing activities:		
Purchase of accounts receivable, net	(222,234)	(110,703)
Sale of accounts receivable, net	165,080	--
Increase in purchase discounts, net	18,468	24,527
Net cash used by investing activities	(38,686)	(86,176)
Financing activities:		
Proceeds from issuance of note to parent	78,500	--
(Decrease) increase in commercial paper, net of unamortized discount	(8,554)	23,014
Proceeds from issuance of medium-term notes payable	--	90,500
Retirement of medium-term notes payable	(78,500)	(25,000)
Increase in deferred debt issuance costs	--	(238)
Net cash (used) provided by financing activities	(8,554)	88,276
(Decrease) increase in cash and short-term investments	(27,575)	507
Cash and short-term investments at beginning of year	32,267	1,572
Cash and short-term investments at end of period	$ 4,692	$ 2,079
Supplemental schedule of noncash investing and financing transactions:		
Purchase of accounts receivable with note payable to parent	$29,500	$109,000

The accompanying notes are an integral part of these financial statements.

TANDY CREDIT CORPORATION AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE COMPANY

Tandy Credit Corporation ("Tandy Credit" or the "Company") is a wholly owned consolidated subsidiary of Tandy Corporation ("Tandy") with a fiscal year ending June 30. Tandy Credit's primary business is to purchase and collect consumer credit accounts receivable ("Accounts") arising out of sales of merchandise in the normal course of business of Tandy's retail operations. The Company commenced operations on December 4, 1986.

Tandy Receivables Corporation ("TRC") was established as a wholly owned, special-purpose subsidiary of Tandy Credit in April 1991. TRC originated the Tandy Master Trust ("TMT" or the "Trust"), through which the Company securitized a portion of its accounts receivable in the June 1991 quarter. Effective May 1, 1991, the Company sold $573,500,000 of customer receivables to TRC. Such receivables were then transferred to the TMT. On June 18, 1991, the TMT issued in a public offering $350,000,000 of Class A certificates representing undivided interests in the TMT. The undivided interests in the TMT, other than the Class A certificates, are owned by TRC. Since TRC is a wholly owned subsidiary of Tandy Credit, the portion of the undivided interests in the receivables owned by TRC is included in Tandy Credit's consolidated balance sheet. Tandy Credit continues to service the receivables for the Trust and receives a fee for such servicing. Additional securitizations of receivables may be made.

In order to maintain the outstanding balance of receivables representing the undivided interest of the Class A certificateholders at $350,000,000 during the reinvestment period, which terminates October 1, 1994 or earlier if a defined liquidation event has occurred, the Company must sell additional receivables to TRC and then transfer such receivables to the TMT as existing receivables are collected. During the nine months ended March 31, 1992, $176,385,000 of accounts were added to the TMT for the benefit of the Class A certificateholders. A gain of $11,500,000 was recognized upon the addition of these accounts to the TMT.

Tandy has applied to the Comptroller of the Currency for a limited purpose, national credit card bank charter. If a charter for the proposed Tandy National Bank ("TNB") is granted, credit card receivables for the customers of Tandy's retail stores will be originated through the bank. It is anticipated that such receivables will be sold to TRC and securitized through the TMT as deemed appropriate by management of TRC. As TRC is a wholly owned subsidiary of Tandy Credit, the receivables owned by TRC or any undivided interest in the TMT owned by TRC will be included in the consolidated financial statements of Tandy Credit. Interest income and other revenues from such receivables or undivided interests also will be included in Tandy Credit's consolidated financial statements. The planned establishment of the Tandy National Bank may impact significantly the operations of Tandy Credit. For example, TNB may assume servicing for accounts owned by TRC. Thus, servicing fees and related processing costs would be shifted from Tandy Credit to TNB.

Tandy Credit's operations are governed by the terms of an Operating Agreement between the Company and Tandy, which may be amended from time to time. Tandy is required to provide certain financial support to Tandy Credit through a Support Agreement. Further information on these agreements is included in the Form 10-K filed by Tandy Credit for the year ended June 30, 1991.

The activities of Tandy Credit are dependent upon the level of Tandy's sales and the percentage of such sales made pursuant to the credit programs offered by Tandy. As Tandy Credit is a wholly owned subsidiary of Tandy Corporation, Tandy controls the management, policies and operating procedures of the Company, including determination of interest rates and terms of the Accounts.

NOTE 2 - BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the aforementioned financial statements have been included. For further information, refer to the financial statements included in the Company's Form 10-K for the year ended June 30, 1991.

The results of operations for the nine months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the entire fiscal year. "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations" describes the operating results between the fiscal 1992 and 1991 periods.

NOTE 3 - DEBT SECURITIES

The Company's registration statement on Form S-3 for the issuance of up to $400,000,000 of debt securities was declared effective by the Securities and Exchange Commission on October 16, 1987. In a supplement to the prospectus included in the registration statement, the Company adopted a medium-term note program whereby the Company could issue up to $200,000,000 of medium-term, Series A notes due from nine months to thirty years from the date of issue. Through March 31, 1992, the Company had issued Series A medium-term notes aggregating $199,600,000. At March 31, 1992, $104,500,000 of these notes were outstanding.

In October 1990 the Company amended the shelf registration statement and issued a prospectus dated October 10, 1990 and a prospectus supplement dated October 17, 1990. This prospectus supplement provides for a $200,000,000 Series B medium-term note program. Through March 31, 1992, the Company had issued $84,000,000 of Series B notes. At March 31, 1992, $31,000,000 of these notes were outstanding.

As of March 31, 1992, the Company had borrowings of $108,000,000 from Tandy. Such borrowings are on a short-term basis, renewable at the option of Tandy. Interest rates charged on these borrowings are based on Tandy's current borrowing rates.

Tandy Corporation has provided an unconditional and irrevocable continuing guaranty to the holders of medium-term notes and other indebtedness issued by Tandy Credit that is publically traded and rated by at least one nationally recognized rating agency.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations

Tandy Credit's results of operations have been impacted between the nine months ended March 31, 1991 and March 31, 1992 by two primary factors--a substantial growth in the size of the Company's portfolio of receivables throughout fiscal 1991 and the first nine months of fiscal 1992 offset by the securitization of $350,000,000 of its receivables in the last quarter of fiscal 1991.

To securitize its receivables, Tandy Credit established Tandy Receivables Corporation ("TRC"), a wholly owned, special-purpose subsidiary in April 1991. TRC originated the Tandy Master Trust ("TMT" or the "Trust"). Effective May 1, 1991, the Company sold $573,500,000 of customer receivables to TRC. Such receivables were then transferred to the TMT. On June 18, 1991 the TMT issued in a public offering

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$350,000,000 of Class A certificates representing undivided interests in the TMT. The undivided interests in the TMT, other than the Class A certificates, are owned by TRC. Since TRC is a wholly owned subsidiary of Tandy Credit, the portion of the undivided interests in the receivables owned by TRC is included in Tandy Credit's consolidated balance sheet. Tandy Credit continues to service the receivables for the Trust and receives a fee for such servicing. Additional securitizations of receivables may be made through TRC and the Trust.

In order to maintain the outstanding balance of receivables representing the undivided interest of the Class A certificateholders at $350,000,000 during the reinvestment period, which terminates October 1, 1994 or earlier if a defined liquidation event has occurred, the Company must sell additional receivables to TRC and then transfer such receivables to the TMT as existing receivables are collected. During the quarter ended March 31, 1992, $66,745,000 of accounts were added to the TMT for the benefit of the Class A certificateholders. A gain of $2,839,000 was recognized upon the addition of these accounts to the TMT. For the nine months ended March 31, 1992, accounts totalling $176,385,000 were added to the TMT. The gain on this addition totaled $11,500,000.

Income before income taxes for the quarter ended March 31, 1992 was $23,026,000 compared to $19,933,000 for the quarter ended March 31, 1991. For the nine-month period ended March 31, 1992, pretax income was $66,702,000. The prior year's nine-month operating results showed pretax income of $51,066,000.

Interest income, net of amortization, decreased $25,326,000 between the nine months ended March 31, 1991 and 1992 and $10,850,000 between the three-month periods then ended. These decreases principally relate to the reduction in the accounts owned caused by the securitization of accounts described above. Net accounts receivable increased from $486,536,000 at June 30, 1990 to $695,768,000 at March 31, 1991. The securitization of receivables decreased the accounts receivable owned by Tandy Credit by $350,000,000 to $371,975,000 at June 30, 1991. By March 31, 1992, the continued growth in the usage of the Tandy proprietary credit programs increased the portfolio of accounts to $445,093,000. The average rate of interest earned on the Accounts during the first nine months of fiscal 1992 was 15.6% compared to 15.8% in the same period of fiscal 1991. The decline in the average interest rate reflects higher levels of special sales promotions and marketing initiatives by Tandy, some of which provided for no interest charges for specified initial periods.

Interest expense, including discount amortization, decreased $14,371,000 between the first nine months of fiscal 1991 and 1992 and $6,345,000 between the quarters ended March 31, 1991 and 1992. The reduction in net interest expense reflects the lower levels of borrowings outstanding during the fiscal 1992 periods. The Company was able to make a significant reduction in borrowings through the use of the proceeds from the securitization. Interest rates on borrowings also declined between the fiscal 1991 and 1992 periods.

Tandy Credit offers insurance coverage to its customers. An increase in the number of customers and account balances covered by such insurance resulted in greater insurance commission income for the first nine months of fiscal 1992 than in the same period of fiscal 1991.

The securitization of accounts lowered processing costs for Tandy Credit as such costs for the undivided interest in accounts owned by the Class A certificateholders are allocated to the Trust.

Other operating and administrative expenses declined between the nine months ended March 1991 and March 1992 principally because of a change in operating policies whereby Tandy now pays for credit marketing expenses.

Tandy Credit reconveys to Tandy contractually delinquent Accounts. Thus, no provision for loan losses is recorded for Tandy Credit.

The tax provision for each quarterly period is based on the estimate of the annual effective tax rate for the fiscal year as evaluated at the end of each quarter. The effective tax rate for the first nine months of fiscal 1992 and fiscal 1991 was 34.1%.

Tandy has applied to the Comptroller of the Currency for a limited purpose, national credit card bank charter. If a charter for the proposed Tandy National Bank ("TNB") is granted, credit card receivables for the customers of Tandy's retail stores will be originated through the bank. It is anticipated that such receivables will be sold to TRC and securitized through the TMT as deemed appropriate by management of TRC. As TRC is a wholly owned subsidiary of Tandy Credit, the receivables owned by TRC or any undivided interest in the TMT owned by TRC will be included in the consolidated financial statements of Tandy Credit. Interest income and other revenues from such receivables or undivided interests also will be included in Tandy Credit's consolidated financial statements. The planned establishment of the Tandy National Bank may impact significantly the operations of Tandy Credit. For example, TNB may assume servicing for accounts owned by TRC. Thus, servicing fees and related processing costs would be shifted from Tandy Credit to TNB.

Liquidity and Capital Resources

As discussed above, the securitization of receivables in the fourth quarter of fiscal 1991 significantly reduced the Company's assets and liabilities. The Company's assets and liabilities have increased since the securitization was completed reflecting the continued growth of the usage of the Tandy proprietary credit programs. There have been no material changes in the Company's liquidity, borrowing capabilities or financial flexibility from that described in the financial statements included in Tandy Credit's 1991 Form 10-K.

During the third quarter of fiscal 1992, medium-term notes totaling $53,000,000 matured. The Company utilized short-term borrowings from Tandy to repay these notes. The Company currently anticipates using short-term borrowings from Tandy to repay the $11,000,000 of medium-term notes maturing during the fourth quarter of fiscal 1992.

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PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits Required by Item 601 of Regulation S-K.

12 Statement of Computation of Ratios of Earnings to Fixed Charges.

b) Reports on Form 8-K.

No reports on Form 8-K were filed for the quarter ended March 31, 1992.

a

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tandy Credit Corporation
(Registrant)

Date: May 14, 1992

By Dwain H Hughes
Dwain H. Hughes
Vice President and Treasurer

TANDY CREDIT CORPORATION
EXHIBIT INDEX

Exhibit Number	Description	Sequential Page Number
12	Statement of Computation of Ratios of Earnings to Fixed Charges	12

EXHIBIT 12

TANDY CREDIT CORPORATION AND SUBSIDIARY

STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

The calculations for historical ratios of earnings to fixed charges for the periods indicated are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
	(In thousands, except ratios)			
Net income	$15,176	$13,138	$43,963	$33,658
Plus provision for income taxes	7,850	6,795	22,739	17,408
Income before income taxes	23,026	19,933	66,702	51,066
Fixed charges:				
Interest expense and amortization of debt discount	5,047	11,392	15,078	29,449
Amortization of debt issuance costs and loan origination fees	53	58	180	197
Total fixed charges	5,100	11,450	15,258	29,646
Income before income taxes and fixed charges	$28,126	$31,383	$81,960	$80,712
Ratio of earnings to fixed charges	5.51	2.74	5.37	2.72

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MANUALLY SIGNED

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTER ENDED MAY 31, 1992

Commission File Number 0-8003

VINLAND PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

California
(State or Other Jurisdiction of Incorporation or Organization)

94-2432628
(I.R.S. Employer Identification No.)

10670 North Central Expressway, Suite 300, Dallas, TX 75231
(Address of Principal Executive Offices) (Zip Code)

(214) 692-4700
(Registrant's Telephone Number, Including Area Code)

BEST COPY AVAILABLE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Shares of Beneficial Interest, No par value
(Class)

5,965,788
(Outstanding at July 10, 1992)

PROCESSED BY
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JUL 17 1992

- This Report Contains No Exhibits -

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements have not been examined by independent certified public accountants, but in the opinion of the management of Vinland Property Trust (the "Trust"), all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the Trust's consolidated financial position, results of operations and consolidated cash flows at the dates and for the periods indicated, have been included.

VINLAND PROPERTY TRUST
CONSOLIDATED BALANCE SHEETS

	May 31, 1992 (Unaudited)	November 30, 1991
	(dollars in thousands)	
Assets		
Notes and interest receivable		
Performing....................................	$ 1,913	$ 6,714
Nonperforming, nonaccruing....................	1,739	1,739
	3,652	8,453
Real estate held for sale, net of accumulated depreciation ($2,124 in 1992 and $1,882 in 1991).......................................	9,825	9,962
Less - allowance for estimated losses...........	<2,412>	<2,532>
	11,065	15,883
Real estate held for investment, net of accumulated depreciation ($12 in 1992)........	9,569	-
Cash and cash equivalents.......................	1,077	27
Other assets....................................	1,040	813
	$ 22,751	$ 16,723
Liabilities and Shareholders' Equity		
Liabilities		
Notes and interest payable......................	$ 10,197	$ 6,220
Other liabilities...............................	1,825	893
	12,022	7,113
Commitments and contingencies		
Shareholders' equity		
Shares of beneficial interest, no par value; authorized shares, unlimited; issued and outstanding, 5,965,788.......................	1,989	1,989
Paid-in capital.................................	43,439	43,439
Accumulated distributions in excess of accumulated earnings........................	<34,699>	<35,818>
	10,729	9,610
	$ 22,751	$ 16,723

The accompanying notes are an integral part of these Consolidated Financial Statements.

VINLAND PROPERTY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended May 31,		For the Six Months Ended May 31,	
	1992	1991	1992	1991
	(dollars in thousands, except per share)			
Income				
Rentals	$ 959	$ 769	$ 1,740	$ 1,430
Interest	60	191	88	383
Other	9	<2>	58	10
	1,028	958	1,886	1,823
Expenses				
Property operations	714	589	1,382	1,313
Interest	81	158	172	293
Depreciation	142	129	254	256
Advisory fees to affiliate	<50>	33	25	170
General and administrative	76	118	147	230
	963	1,027	1,980	2,262
Income <loss> before income taxes and gain on sale of real estate	65	<69>	<94>	<439>
Income tax benefit <provision>	70	<100>	<700>	<405>
Income <loss> before gain on sale of real estate	135	<169>	<794>	<844>
Gain on sale of real estate	-	-	1,913	-
Net income <loss>	$ 135	$ <169>	$ 1,119	$ <844>
Earnings per share				
Net income <loss> per share	$ .02	$ <.03>	$ .18	$ <.14>
Shares of beneficial interest outstanding	5,965,788	5,965,788	5,965,788	5,965,788

The accompanying notes are an integral part of these Consolidated Financial Statements.

VINLAND PROPERTY TRUST
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
For the Six Months Ended May 31, 1992

	Shares of Beneficial Interest			Accumulated Distributions in Excess of	
	Shares	Amount	Paid-in Capital	Accumulated Earnings	Shareholders' Equity
		(dollars in thousands)			
Balance, December 1, 1991.................	5,965,788	$ 1,989	$ 43,439	$ <35,818>	$ 9,610
Net income.............	-	-	-	1,119	1,119
Balance, May 31, 1992..	5,965,788	$ 1,989	$ 43,439	$ <34,699>	$ 10,729

The accompanying notes are an integral part of these Consolidated Financial Statements.

VINLAND PROPERTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Six Months Ended May 31,	
	1992	1991
	(dollars in thousands)	
Cash Flows from Operating Activities		
Interest collected	$ 48	$ 175
Rentals collected	1,730	1,422
Interest paid	<168>	<249>
Payments for property operations	<1,254>	<1,189>
General and administrative expenses paid	<146>	<383>
Advisory fee refunded <paid>	123	<170>
Other	<138>	333
Net cash provided by <used in> operating activities	195	<61>
Cash Flows from Investing Activities		
Acquisition of real estate	<1,771>	-
Collections on notes receivable	6,600	378
Purchase of note receivable	<47>	-
Real estate improvements	<101>	<6>
Net cash provided by investing activities	4,681	372
Cash Flows from Financing Activities		
Payment of notes payable	<3,826>	<354>
Net increase <decrease> in cash and cash equivalents	1,050	<43>
Cash and cash equivalents, beginning of the period	27	157
Cash and cash equivalents, end of the period	$ 1,077	$ 114
Reconciliation of net income <loss> to net cash <used in> operating activities		
Net income <loss>	$ 1,119	$ <844>
Adjustments to reconcile net income <loss> to net cash <used in> operating activities		
Gain on sale of real estate	<1,913>	-
Depreciation and amortization	260	57
<Increase> in interest receivable	<14>	<19>
Decrease in other assets	26	582
Increase <decrease> in interest payable	<1>	38
Increase in federal income tax liability	700	320
Increase <decrease> in other liabilities	102	<129>
Other income	<84>	<66>
Net cash provided by <used in> operating activities	$ 195	$ <61>

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTE 1. BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the three and six month period ended May 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended November 30, 1992. For further information, refer to the Consolidated Financial Statements and Notes thereto included in the Trust's Annual Report on Form 10-K for the fiscal year ended November 30, 1991 (the "1991 Form 10-K").

Certain 1991 balances have been reclassified to conform to the 1992 presentation.

NOTE 2. NOTES AND INTEREST RECEIVABLE

The note receivable secured by a second mortgage on the Polynesia Village Apartments in Tacoma, Washington, matured on December 31, 1991. In February 1992, the Trust initiated a foreclosure action and filed with the court for the appointment of a receiver. In March 1992, the Trust entered into an agreement with the borrower that allows the borrower to continue to manage the property in return for periodic cash payments from the cash flows from operation of the property while the foreclosure action proceeds. In June 1992, the Trust extended an offer to the borrower to grant an extension of the loan maturity date in return for a principal paydown and subsequent monthly payments of principal and interest. The borrower has requested additional time to respond to the Trust's offer. On July 10, 1992, the borrower paid $25,000 to be applied to accrued interest and in return the Trust agreed to a four week postponement of the foreclosure to August 7, 1992. As this action is still unresolved, the Trust has not recorded an insubstance foreclosure of the collateral property. In the event of a foreclosure, the Trust does not expect to incur a loss as the estimated fair value of the collateral property exceeds the carrying value of the note.

NOTE 3. REAL ESTATE AND DEPRECIATION

On March 30, 1992, the Trust purchased One Turtle Creek, a combined office building and shopping center complex, in Dallas, Texas for $2.6 million consisting of $600,000 cash and a mortgage note payable of $2.0 million from an independent lending institution. The note payable bears interest at 9% per annum and matures May 1, 1995 with monthly payments of interest and principal, based on a twenty-five year amortization. The note payable may be extended to March 31, 1997 with an interest rate of prime plus 2%. The Trust paid an acquisition commission to Carmel Realty Services, Ltd. ("Carmel"), an affiliate of the Trust's advisor, of $153,000 based upon the $2.6 million purchase price.

On April 30, 1992, the Trust purchased the Villas at Central Park, an apartment complex in Orlando, Florida, for $6.2 million, consisting of $400,000 in cash, assumption of a first lien mortgage note payable with an outstanding balance of $2.6 million, a second lien mortgage note payable of $3.0 million and two additional notes payable of $160,000 and $41,000. All the financing is with independent financial institutions. The first lien mortgage note bears interest at 8.75% per annum and matures June 1,

NOTE 3. REAL ESTATE AND DEPRECIATION (Continued)

2004, with payments of principal and interest due monthly. The second lien mortgage note bears interest at 9% per annum and matures April 27, 1997, with monthly payments of interest only until maturity. The note for $160,000 is collateralized with the first mortgage note, bears no interest and requires no payments until maturity at June 1, 2004. The second note for $41,000 bears interest at 9% per annum and matures April 27, 1995 with monthly payments of interest only until maturity. The Trust paid an acquisition commission to Carmel of $387,000 based upon the $6.2 million purchase price. In connection with the second lien mortgage note, the lender required the Trust to place $100,000 in an escrow account to guarantee certain improvements to the property.

NOTE 4. NOTES AND INTEREST PAYABLE

In May 1992, first and second mortgage notes payable, secured by Castlewood/The Phoenix apartment complex, with principal balances of $7,600 and $7,500, respectively, were paid in full.

NOTE 5. INCOME TAXES

The income tax provision of $700,000 in the six months ended May 31, 1992 is primarily due to the deferred gain realized for book and tax purposes on the collection of the Swiss Village mortgage note receivable in December 1991 and the sale of Willow Creek Clubhouse in February 1992.

The income tax provision of $405,000 in the six months ended May 31, 1991 was primarily due to the foreclosure of the Ambertree Apartments in February 1991 and the resulting gain, for federal income tax purposes, from the forgiveness of the related nonrecourse debt. The Trust had recorded an insubstance foreclosure of the property in fiscal year 1990.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Club Litigation. In February 1987, Club Associates ("Club") filed a petition under Chapter 11 of the United States Bankruptcy Code. In June 1987, the Trust was named a co-defendant in an adversary proceeding filed in the United States Bankruptcy Court for the Northern District of Georgia alleging the Trust's breach of a security agreement. The plaintiff in this action, styled *Club Associates v. Consolidated Capital Realty Investors et. al*, sought damages of not less than $4 million, alleging that the hypothecation of a certain note receivable held by the Trust to First Union Equity and Mortgage Investments ("First Union") violated a restriction on the sale of the note in the Trust's security agreement with the note's maker. In August 1988, the Bankruptcy Court entered an order in the Trust's favor resulting in a dismissal of the plaintiff's adversary proceeding. The plaintiff appealed this decision to the United States District Court which affirmed the decision of the Bankruptcy Court. The plaintiff appealed the decision to the Eleventh Circuit Court of Appeals which in January 1992, also affirmed the decision in favor of the Trust. The plaintiffs' time for filing an application for writ of certiorari to the Supreme Court has now expired and the decision of the Bankruptcy Court is final.

NOTE 6. COMMITMENTS AND CONTINGENCIES (Continued)

Oaks Litigation. In January 1989, Oak Partners, Ltd. ("Oaks") also filed a petition for protection under Chapter 11 of the United States Bankruptcy Code. In connection with that proceeding, in May 1989, the Trust was named a defendant in an adversary proceeding filed in the United States Bankruptcy Court for the Northern District of Georgia, captioned *Oak Partners, Ltd. v. Consolidated Capital Realty Investors*, in which the debtor sought damages of not less than $2.5 million, based on allegations substantially similar to those asserted in the Club proceeding. The Oaks filed a Stipulation of Dismissal on May 5, 1992, along with a Notice of Termination of the Debtor's Plan of Reorganization. An order dismissing the bankruptcy was thereafter entered on June 9, 1992.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

At May 31, 1992, the Trust's real estate was comprised of foreclosed properties held for resale (F) and purchased properties held for investment (P) consisting of the following:

Property	Location	Units/ Sq. Ft.	Physical Occupancy
(F) Castlewood/The Phoenix	Tulsa, Oklahoma	253 Units	82.7%
(F) Forest Racquet Club/Aspentree	Dallas, Texas	296 Units	91.9
(F) French Villa	Tulsa, Oklahoma	102 Units	97.0
(F) Southern Elms	Tulsa, Oklahoma	78 Units	91.0
(F) Westover/Brookdale	Dallas, Texas	277 Units	N.A.
(F) Briarwest	Houston, TX	25,293 Sq. Ft.	81.0
(P) One Turtle Creek	Dallas, TX	100,884 Sq. Ft.	68.9
(P) Villas at Central Park	Orlando, FL	288 Units	86.8

Except for the Castlewood/The Phoenix property and the Westover/Brookdale property, which is vacant, all properties are pledged as collateral on mortgage notes with various rates of interest and maturity dates.

At May 31, 1992, the Trust's notes receivable portfolio consisted of the following (dollars in thousands):

Collateral Property	Location	Net Equity
Polynesia Village	Tacoma, Washington	$ 1,757
Cochonour	Carroll County, Missouri	1,218
8503 Westheimer	Houston, Texas	600
Orland Enterprises	Chicago, Illinois	47
		$ 3,622

Liquidity and Capital Resources (Continued)

The amounts set forth above under "Net Equity" do not give effect to deductions for unamortized discounts and allowance for estimated loss, which totaled $2.4 million at May 31, 1992. Except for the Cochonour note secured by a horse farm in Carroll County, Missouri, the notes receivable are nonrecourse. The Polynesia Village note receivable is also subject to senior underlying debt that, in the event of foreclosure by the Trust of the collateral property, would have to be serviced before any payments could be applied to operating expenses or be distributed to the Trust.

The Trust's liquidity significantly improved in December 1991 due to the receipt of a net $4.5 million in cash from the collection of the Swiss Village mortgage note receivable. The plan of the Trust for a number of years had been to liquidate its assets in an orderly manner although neither the Trust's Board of Trustees nor shareholders had adopted a formal plan of liquidation. After review of the Trust's real estate and notes receivable portfolios and existing market conditions, the Trust's Board of Trustees concluded that liquidation of the Trust's assets would not maximize long-term return to shareholders. With the approval of the Trust's Board of Trustees the Trust acquired an office building in March 1992 and an apartment complex in April 1992. The Trust's cash reserves as well as projected cash flow from its properties will be sufficient to fund any needed capital improvements on owned properties for the remainder of fiscal 1992. However, it may be necessary for the Trust to sell assets to either mitigate its federal income tax obligation or to generate the cash necessary for the payment of such tax obligation.

The Trust repaid a $1.5 million underlying mortgage note payable on the French Villa Apartments in December 1991 from the proceeds from the collection of the Swiss Village note receivable.

On February 26, 1992, the Trust sold the Willowcreek Clubhouse in Houston, Texas for $187,000 in cash.

On March 30, 1992, the Trust purchased One Turtle Creek, a combined office building and shopping center complex, in Dallas, Texas, for $2.6 million consisting of $600,000 cash and a mortgage note payable of $2.0 million from an independent lending institution. The note payable bears interest at 9% per annum and matures May 1, 1995 with monthly payments of interest and principal based on a twenty-five year amortization. The note payable may be extended to March 31, 1997 with an interest rate of prime plus 2%. As a condition of signing a major tenant to a 10-year lease, the Trust agreed to make significant modifications and substantial improvements to the office building. At July 10, 1992, the Trust had expended $360,000 for such improvements and expects to incur costs of an additional $700,000 prior to the end of fiscal 1992.

On April 30, 1992, the Trust purchased the Villas at Central Park, an apartment complex in Orlando, Florida, for $6.2 million, consisting of $400,000 in cash, assumption of a first lien mortgage note payable with an outstanding balance of $2.6 million, a second lien mortgage note payable of $3.0 million and two additional notes payable of $160,000 and $41,000. All the financing is with independent financial institutions. The first lien mortgage note bears interest at 8.75% per annum and matures June 1, 2004, with payments of principal and interest due monthly. The second lien mortgage note bears interest at 9% per annum and matures April 27, 1997, with monthly payments of interest only until maturity. The note for $160,000 is collateralized with the

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity and Capital Resources (Continued)

first lien mortgage note, bears no interest and requires no payments until maturity at June 1, 2004. The second note for $41,000 bears interest at 9% per annum and matures April 27, 1995 with monthly payments of interest only until maturity. In connection with the second mortgage lien note, the lender required the Trust to place $100,000 in an escrow account to guarantee certain improvements to the property.

The Trust had cash and cash equivalents of $1.1 million at May 31, 1992.

Results of Operations

Rental income for the three-month period ended May 31, 1992 was $959,000 as compared to $769,000 for the comparable period of 1991. This increase is partially attributable to the additional income from the acquisition during the quarter of One Turtle Creek ($61,000), a combined office building and shopping center complex located in Dallas, Texas, and Villas at Central Park ($111,000), an apartment complex located in Orlando, Florida. Rental income is expected to increase by approximately $160,000 per quarter over the comparable periods in 1991 from the acquisition of these properties. Improved occupancy rates at the Aspentree and French Villa apartment complexes during the period also contributed to the improved income. For the six months ended May 31, 1992, rental income increased to $1.7 million as compared to $1.4 million for the same period in 1991. This increase in rental income is attributable to the factors described above as well as the acquisition in February 1991 of the Briarwest Shopping Center. Property operation expenses for the second quarter were $714,000 as compared to $589,000 in 1991. The increase can be attributed to operating costs of the newly acquired properties described above as well as increased leasing and administrative expenses. For the six months ended May 31, 1992 property operation expenses were $1.4 million as compared to $1.3 million in 1991 for the same period. Decreases in personnel and utility expenses were offset by increases in property taxes, leasing and services expenses.

Interest income for the three months ended May 31, 1992, was $60,000 as compared to $191,000 for the same period in 1991. This is due to the collection in full of the Swiss Village mortgage note receivable in December 1991. Interest income for the six months was $88,000 as compared to $383,000 for the same period in 1991. Again, this decrease is due to the collection of the Swiss Village mortgage note receivable in December 1991. Interest income is expected to approximate $30,000 per quarter for the remainder of fiscal 1992.

Interest expense for the three months ended May 31, 1992 was $81,000 as compared to $158,000 for the same period in 1991. This is due to the payoff of the Swiss Village underlying note payable of $2.1 million in December 1991. Interest expense also decreased in the six months ended May 31, 1992 to $172,000 from $293,000 for the comparable period in 1991. Again, this decrease is attributable to the payoff of the Swiss Village note payable in December 1991. Because of the mortgage debt associated with the acquisitions previously described, interest expense is expected to approximate $260,000 per quarter for the remainder of fiscal 1992.

The Trust's advisory fee for the three months ended May 31, 1992, was a net credit of $50,000 as compared to an expense of $33,000 for the three months ended May 31, 1991. The net expense for the six months ended May 31, 1992 was $25,000 as compared with

Results of Operations (Continued)

$170,000 for the same six month period in 1991. The credit against the advisory fee of $100,000 in the three and six months ended May 31, 1992, is a result of (a) the change in the annual advisory fee effective April 20, 1991, from $550,000 to $300,000 annually as discussed in the Trust's 1991 Form 10-K and, (b) attaining of the combined advisory fee and commissions paid annual limitation of $550,000. In April 1992, with the acquisition of the Villas at Central Park apartment complex, the combination of property acquisition and advisory fees exceeded the $550,000 limitation. The Trust was therefore entitled to a refund of the excess advisory fee of $100,000 which was received from the advisor in June.

General and administrative expenses decreased to $76,000 for the three months ended May 31, 1992 from $118,000 for the comparable period in 1991. This reduction is attributable to reductions in legal fees in connection with the Club and Oaks litigation and cost reimbursements to the Trust's advisor. For the six months ended May 31, 1992, general and administrative expenses totalled $147,000 as compared to $230,000 for the same six month period in 1991. This decrease also resulted from reductions in legal fees pertaining to the Club and Oaks litigation and cost reimbursements to the Trust's advisor.

The Swiss Village note receivable matured on November 30, 1991. On December 13, 1991, the Trust received net cash of $4.5 million (after satisfaction of a related $2.1 million underlying note payable) and a new $600,000 note receivable from a Texas limited partnership which is secured by a first lien on a restaurant and land in Houston, Texas, adjacent to the Swiss Village Apartments. The Trust had originally recorded the sale using the installment method and recognized the previously deferred gain of $1.7 million in the first quarter of 1992.

On February 26, 1992, the Trust sold the Willowcreek Clubhouse in Houston, Texas, for $187,000 in cash. The Trust's carrying value in the real estate sold was negligible and accordingly the Trust recognized the total sales proceeds as gain.

Income Tax Aspects

As discussed in the Trust's 1991 Form 10-K, the Trust has elected and, in the opinion of the Trust's management, qualified to be taxed as a real estate investment trust ("REIT") as defined under Section 856 through 860 of the Internal Revenue Code of 1986, as amended, and as such, will not be taxed for federal income tax purposes on that portion of its taxable income which is distributed to shareholders provided that at least 95% of its REIT taxable income is distributed.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Recent Accounting Pronouncements

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 109 - "Accounting for Income Taxes" which supersedes SFAS No. 96 - "Accounting for Income Taxes" and requires an asset and liability approach for financial accounting and reporting of income taxes and is effective for fiscal years beginning after December 15, 1992. Management has not evaluated the effects, if any, of implementing this statement.

In April 1992, the American Institute of Certified Public Accountants issued Statement of Position 92-3 - "Accounting for Foreclosed Assets" which provides guidance on determining the balance sheet treatment of foreclosed assets after foreclosure and is effective for fiscal years ending on or after December 15, 1992. Management has not fully evaluated the effects of implementing this statement, but expects that they will not be material.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K as follows:

A Current Report on Form 8-K, dated March 30, 1992, was filed with respect to Item 2, which reports the acquisition of One Turtle Creek Village, an office and retail complex in Dallas, Texas.

A Current Report on Form 8-K, dated April 30, 1992, was filed with respect to Items 2 and 7, which reports the acquisition of the Villas at Central Park Apartments in Orlando, Florida.

SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VINLAND PROPERTY TRUST

Date: July 14, 1992

By: Hamilton P. Schrauff
Hamilton P. Schrauff
Executive Vice President and
Chief Financial Officer

Date: July 14, 1992

By: Thomas A. Holland
Thomas A. Holland
Senior Vice President and
Chief Accounting Officer

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1-1245 WISCONSIN ELECTRIC POWER CO

10-Q 92/05/14 92907893

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-1245

WISCONSIN ELECTRIC POWER COMPANY

(Exact name of registrant as specified in its charter)

Wisconsin	39-0476280
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
231 West Michigan Street, P.O. Box 2046, Milwaukee, Wisconsin	53201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414) 221-2590

No Change

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 1992
$10 Par Value Common Stock	33,289,327 Shares

WISCONSIN ELECTRIC POWER COMPANY

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WISCONSIN ELECTRIC POWER COMPANY
CONDENSED INCOME STATEMENT
(Unaudited)

	Three Months Ende
	1992
	(Thousands of Do
Operating Revenues	
Electric	$330,319
Steam	5,644
Total Operating Revenues	335,963
Operating Expenses	
Fuel	73,642
Purchased power	12,944
Other operation expenses	78,330
Maintenance	36,083
Depreciation	35,755
Taxes other than income taxes	17,482
Federal income tax	17,062
State income tax	4,123
Deferred income taxes - net	2,895
Investment tax credit - net	(991)
Total Operating Expenses	277,325
Operating Income	58,638
Other Income and Deductions	
Interest income	3,302
Allowance for other funds used during construction	1,922
Miscellaneous - net	1,555
Income taxes	(299)
Total Other Income and Deductions	6,480
Income Before Interest Charges	65,118
Interest Charges	
Interest expense	21,404
Allowance for borrowed funds used during construction	(1,012)
Total Interest Charges	20,392
Net Income	44,726
Preferred Stock Dividend Requirement	1,482
Earnings Available for Common Stockholder	$ 43,244

TRIC POWER COMPANY

NCIAL INFORMATION

TRIC POWER COMPANY
NCOME STATEMENT
udited)

Three Months Ended March 31	
1992	1991
(Thousands of Dollars)	
$330,319	$318,033
5,644	5,240
335,963	323,273
73,642	75,337
12,944	12,634
78,330	71,948
36,083	35,755
35,755	32,880
17,482	14,909
17,062	17,308
4,123	4,081
2,895	2,045
(991)	(1,097)
277,325	266,000
58,638	57,273
3,302	3,677
1,922	1,664
1,555	1,474
(299)	(406)
6,480	6,409
65,118	63,682
21,404	20,590
(1,012)	(820)
20,392	19,770
44,726	43,912
1,482	1,482
$ 43,244	$ 42,430

(REMAINDER OF PRECEDING PAGE)

Note - Earnings and dividends per share of common stock are not applicable because all of the company's common stock is owned by Wisconsin Energy Corporation.

See accompanying note to financial statements.

WISCONSIN ELECTRIC POWER COMPANY
CONDENSED BALANCE SHEET
(Unaudited)

	March 31, 1992 (Thousands
Assets	
Utility Plant	
Electric	$3,621,562
Steam	32,910
Accumulated provision for depreciation	(1,579,782)
	2,074,690
Construction work in progress	152,220
Nuclear fuel - net	57,409
Net Utility Plant	2,284,319
Other Property and Investments	316,897
Current Assets	
Cash and cash equivalents	50,593
Accounts receivable	109,279
Accrued utility revenues	79,031
Materials, supplies and fossil fuel	125,228
Prepayments and other assets	44,720
Total Current Assets	408,851
Deferred Charges and Other Assets	
Accumulated deferred income taxes	60,468
Other	25,429
Total Deferred Charges and Other Assets	85,897
	$3,095,964
Liabilities	
Capitalization	
Common stock	$ 475,355
Retained earnings	754,859
Total Common Stock Equity	1,230,214
Preferred stock - redemption not required	30,451
Preferred stock - redemption required	70,000
Long-term debt	1,008,794
Total Capitalization	2,339,459
Current Liabilities	
Long-term debt due currently	18,419
Short-term debt	38,959
Accounts payable	88,094

TRIC POWER COMPANY
BALANCE SHEET
udited)

FORM 10-Q

March 31, 1992	December 31, 1991
(Thousands of Dollars)	
$3,621,562	$3,598,699
32,910	31,975
(1,579,782)	(1,548,775)
2,074,690	2,081,899
152,220	128,865
57,409	56,899
2,284,319	2,267,663
316,897	312,400
50,593	27,183
109,279	84,861
79,031	86,046
125,228	137,199
44,720	50,230
408,851	385,519
60,468	60,245
25,429	26,306
85,897	86,551
$3,095,964	$3,052,133

$ 475,355	$ 475,355
754,859	727,865
1,230,214	1,203,220
30,451	30,451
70,000	70,000
1,008,794	1,040,572
2,339,459	2,344,243
18,419	14,901
38,959	38,904
88,094	60,815

(REMAINDER OF PRECEDING PAGE)

Accrued liabilities	71,549
Other	5,657

Total Current Liabilities	222,678
Deferred Credits and Other Liabilities	
Accumulated deferred income taxes	404,217
Other	129,610

Total Deferred Credits and Other Liabilities	533,827

	$3,095,964
	==========

See accompanying note to financial statements

71,549	58,051
5,657	5,173
----------	----------
222,678	177,844
404,217	399,967
129,610	130,079
----------	----------
533,827	530,046
----------	----------
$3,095,964	$3,052,133
==========	==========

WISCONSIN ELECTRIC POWER COMPANY
STATEMENT OF CASH FLOWS
(Unaudited)

	Three M
	1992
	(Tho
Operating Activities:	
Net income	$ 44,726
Reconciliation to cash:	
Depreciation	35,755
Nuclear fuel expense - amortization	6,023
Deferred income taxes - net	2,895
Investment tax credit - net	(991)
Allowance for other funds used during construction	(1,922)
Change in: Accounts receivable	(24,418)
Inventories	11,971
Accounts payable	27,279
Other current assets	12,525
Other current liabilities	13,982
Other	1,564
Cash Provided by Operating Activities	129,389
Investing Activities:	
Construction expenditures	(48,602)
Allowance for borrowed funds used during construction	(1,012)
Nuclear fuel	(2,203)
Nuclear decommissioning trust	(4,905)
Conservation rebates and loans - net	(4,172)
Other	939
Cash Used in Investing Activities	(59,955)
Financing Activities:	
Retirement of long-term debt	(28,347)
Change in short-term debt	55
Dividends on stock - common	(16,250)
- preferred	(1,482)
Cash Used in Financing Activities	(46,024)
Change in Cash and Temporary Cash Investments	$ 23,410
Supplemental Information Disclosures:	
Cash Paid for -	
Interest (net of amount capitalized)	$ 15,667
Income taxes	11,326

See accompanying note to financial statements.

TRIC POWER COMPANY FORM 10-Q
OF CASH FLOWS
audited)

	Three Months Ended March 31	
	1992	1991
	(Thousands of Dollars)	
	$ 44,726	$ 43,912
	35,755	32,880
	6,023	6,804
	2,895	2,045
	(991)	(1,097)
on	(1,922)	(1,664)
	(24,418)	(3,627)
	11,971	14,250
	27,279	(8,325)
	12,525	13,391
	13,982	14,992
	1,564	4,170
	129,389	117,731
	(48,602)	(47,719)
ion	(1,012)	(820)
	(2,203)	(5,869)
	(4,905)	(4,562)
	(4,172)	(5,315)
	939	(479)
	(59,955)	(64,764)
	(28,347)	(6,139)
	55	25,910
	(16,250)	(63,863)
	(1,482)	(1,482)
	(46,024)	(45,574)
	$ 23,410	$ 7,393
	$ 15,667	$ 16,424
	11,326	13,976

*** A12 ***

(REMAINDER OF PRECEDING PAGE)

WISCONSIN ELECTRIC POWER COMPANY

NOTE TO FINANCIAL STATEMENTS

(Unaudited)

The accompanying unaudited financial statements should be read in conjunction with the company's 1991 Annual Report on Form 10-K. In the opinion of management, all adjustments necessary to a fair statement of the results of operations and financial position of the company have been included in the accompanying income statement and balance sheet. The results of operations for the three months ended March 31, 1992 are not, however, necessarily indicative of the results which may be expected for the year 1992 because of seasonal and other factors.

WISCONSIN ELECTRIC POWER COMPANY

PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by Wisconsin Electric Power Company's ("Wisconsin Electric") operating activities totaled $129 million during the three months ended March 31, 1992. This compares to $118 million provided during the same period in 1991.

Wisconsin Electric's investing activities totaled $60 million for the three months ended March 31, 1992 compared to $65 million during the first quarter of 1991. Investments during the first quarter of 1992 include $49 million for the construction of new or improved facilities, $5 million for payments to an external trust for the eventual decommissioning of Wisconsin Electric's Point Beach Nuclear Plant, $4 million for net capitalized conservation expenditures and $2 million for acquisition of nuclear fuel.

Capital requirements for the remaining three quarters of 1992 are estimated to be about $330 million and are expected to be principally for construction expenditures, capitalized conservation programs, the retirement of long-term debt and payments to the external trust for the eventual decommissioning of the Point Beach Nuclear Plant.

In order to meet projected capital requirements, Wisconsin Electric intends to issue approximately $100 million of long-term debt later in 1992. The specific form, amounts and timing of securities to be issued, including possible debt refundings, have not yet been determined and will depend, to a large extent, on market conditions.

To reduce its overall cost of capital, Wisconsin Electric replaced its 7% Series Debentures due 1993 with lower cost short-term debt in February 1992.

RESULTS OF OPERATIONS

Net income increased 1.9% during the first quarter of 1992 compared to the same period of 1991 reflecting increased revenues which were largely offset by higher operating expenses. Revenues were impacted by slightly higher kilowatt-hour sales and a $56.4 million, or 5.1% electric rate increase on an annualized basis, which became effective January 11, 1992. Other operation expenses and maintenance increased 6.2% during the first quarter of 1992 compared to the first quarter of 1991.

WISCONSIN ELECTRIC POWER COMPANY

PART I - FINANCIAL INFORMATION(Cont'd)

RESULTS OF OPERATIONS (Cont'd)

ELECTRIC SALES

Electric Sales - Megawatt Hours	Three Months Ended March 31 1992	 1991	% Change
Residential	1,666,890	1,639,692	1.7
Small Commercial and Industrial	1,546,170	1,481,005	4.4
Large Commercial and Industrial	2,348,053	2,327,086	0.9
Other	502,553	542,706	(7.4)
Total Retail and Municipal	6,063,666	5,990,489	1.2
Resale-Utilities	185,481	191,199	(3.0)
Total Sales	6,249,147	6,181,688	1.1

Electric energy sales to the Empire and Tilden iron ore mines, Wisconsin Electric's two largest customers, decreased 2.1% during the quarter ended March 31, 1992 compared to the same period during 1991. Excluding the mines, total electric sales increased 1.4% and sales to all other large commercial and industrial customers increased 1.9%.

For certain other information which may impact Wisconsin Electric's future financial condition or results of operations, see ITEM 1. LEGAL PROCEEDINGS in Part II.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information should be read in conjunction with ITEM 3. LEGAL PROCEEDINGS in PART I of Wisconsin Electric's Annual Report on Form 10-K for the year ended December 31, 1991.

RATE MATTERS

WISCONSIN RETAIL ELECTRIC AND STEAM JURISDICTION

1993 Rate Order: On May 1, 1992, Wisconsin Electric filed an application with the Public Service Commission of Wisconsin ("PSCW") to increase its 1993 retail electric and steam rates. The application requests an electric rate increase of $69.6 million, or 5.9%, on an annualized basis and a steam rate increase of $466,000, or 3.3%, on an annualized basis. The request is based on a 13.5% rate of return on common equity, as determined for ratemaking purposes. It is anticipated that the PSCW will issue a final order in December with any rate adjustment becoming effective on January 1, 1993. The requested electric and steam rate increases are calculated on the basis of the rates in effect prior to the 1992 fuel cost adjustment described below.

WISCONSIN ELECTRIC POWER COMPANY

PART II - OTHER INFORMATION (Cont'd)

1992 Fuel Cost Adjustment: On May 8, 1992, Wisconsin Electric filed with the PSCW a request to reduce Wisconsin retail electric rates to reflect lower than authorized fuel and purchased power expenses. The adjustment, expected to become effective mid-May, would reduce Wisconsin retail electric rates by approximately $23 million, or about 2% on an annualized basis.

COURT APPROVES PERSONAL INJURY SETTLEMENT

On March 31, 1992, court approval was obtained for the settlement of the personal injury lawsuit filed against Wisconsin Electric as reported in Item 3. LEGAL PROCEEDINGS - "OTHER LITIGATION" of Wisconsin Electric's Annual Report on Form 10-K for the year ended December 31, 1991.

ITEM 4. SUBMISSION MATTERS TO A VOTE OF SECURITY HOLDERS

Wisconsin Electric's 1992 Annual Meeting of Stockholders was held on May 12, 1992. All nominees for directors listed in Wisconsin Electric's information statement were elected. There was no solicitation in opposition to the nominees proposed in the information statement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K:

No current reports on Form 8-K were filed in the quarter ended March 31, 1992.

WISCONSIN ELECTRIC POWER COMPANY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WISCONSIN ELECTRIC POWER COMPANY
(Registrant)

JOHN W. BOSTON
Date: May 14, 1992
J. W. Boston, President and Chief Operating Officer

RICHARD R. PILTZ
Date: May 14, 1992
R. R. Piltz, Controller - Chief Accounting Officer

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[redacted]

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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92-2273

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended April 30, 1992 Commission File No. 2-7[illegible]8585

WORLDWIDE COLLECTIONS FUNDS, INC.
(Exact name of Registrant as specified in its charter)

New Jersey	59-2507039
(State or other jurisdiction incorporation or organization)	(IRS employer identification no.)

5301 Longley Lane D-149, Reno, Nevada 89511
(Address of principal executive offices) (Zip code)

Registrant's telephone number including area code (702)-829-8989

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate number of shares outstanding of each of the issuer's classes of common stock as of April 30, 1992.

Title of each class	Number of shares outstanding
Common stock no par value	2,975,459

Number of pages in report : 13

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WORLDWIDE COLLECTIONS FUND, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

QUARTER ENDED APRIL 30, 1992

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Condensed Consolidated Statements of Earnings Per Share and Changes in Retained Earnings for the Three and Nine Months Ended April 30, 1992 and 1991 5

Condensed Consolidated Statement of Cash Flows for the Three and Nine Months Ended April 30, 1992 and 1991 6

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WORLDWIDE COLLECTIONS FUNDS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	Nine Months Ended April 30, 1992 (Unaudited)	Year Ended July 31, 1991 (Audited)
ASSETS		
Cash	$145,990	$218,773
Finance Receivables, less unearned interest, unamortized discounts and allowance for credit losses	425,000	4,471,319
Note Receivable - Related Party		257,159
Mortgages Receivable		38,089
Prepaid expenses & other assets		
Legal	642,861	-0-
Litigation Cost Bonds	131,000	131,000
Other	16,400	28,589
Total Assets	$1,361,251	$5,144,929
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities		
Accounts payable	$ -0-	$55,252
Total Liabilities	-0-	55,252
Stockholder's Equity		
Common stock, no par, authorized 5,000.000 shares 2,975,459 outstanding	5,719,699	5,719,699
Accumulated Deficit	-4,351,728	-623,302
	1,367,971	5,096,397
Less: Treasury Stock 13,000 shares at cost	-6,720	-6,720
Total Shareholder Equity	1,361,251	5,089,677
Total Liabilities & Equity	$1,361,251	$5,144,929

The accompanying notes are an integral
part of these condenses financial statements

WORLDWIDE COLLECTIONS FUNDS, INC. AND SUBSIDIARIES
Condensed Consolidated Income Statements

	Three Months Ended April 30,		Nine Months Ended April 30,	
	1992	1991	1992	1991
REVENUES				
Finance Income	$217,108	$233,074	$1,071,652	$785,307
Interest Earned	-0-	8,247	11,537	27,223
Lease Revenues	2,208	41,561	70,736	119,844
Other	28,990	118,501	193,427	310,155
TOTAL REVENUES	$248,306	$401,383	$1,347,352	$1,242,529
EXPENSES				
Interest Expense	-0-	1,991	1,825	5,639
Salaries	-0-	83,095	-0-	271,655
Depreciation and Amortization	-0-	2,439	-0-	7,317
Management Fees	70,685	-0-	138,000	-0-
Legal and Accounting	6,541	106,966	51,077	261,840
Legal Collection Fees	86,157	-0-	399,800	-0-
Loss on Mortgages	-0-	-0-	27,414	-0-
General Administrative	-0-	88,658	-0-	572,257
TOTAL EXPENSES	$163,383	$283,149	$618,116	$1,118,708
Income (Loss) from continuing operations before taxes	$84,923	$118,234	$729,236	$123,821
Provision for income taxes	-0-	-0-	-0-	-0-
Net Income (Loss)	$84,923	$118,234	$729,236	$123,821
EXTRAORDINARY ADJUSTMENTS				
Notes Write-off	-4,457,662	-0-	-4,457,662	-0-
TOTAL ADJUSTMENTS	-4,457,662	-0-	-4,457,662	-0-
Adjusted Net Income	($4,372,739)	$118,234	($3,728,426)	$123,821

The accompanying notes are an integral part of these condensed financial statements

WORLDWIDE COLLECTIONS FUNDS, INC. AND SUBSIDIARIES
Condensed Consolidated Income Statements

STATEMENT OF EARNINGS PER SHARE

	Three Months Ended April 30,		Nine Months Ended April 30,	
	1992	1991	1992	1991
Operating Income	$84,923	$118,234	$729,236	$123,821
Extraordinary Item	-4,457,662	-0-	-4,457,662	-0-
Adjusted Net Income	($4,372,739)	$118,234	($3,728,426)	$123,821
Weighted average number of shares	2,975,459	2,975,459	2,975,459	2,975,459
Earnings (Loss) per common share				
- Continuing Operations	$0.029	$0.040	$0.245	$0.042
- Extraordinary Items	($1.498)	$0.000	($1.498)	$0.000
- Net Income	($1.470)	$0.040	($1.253)	$0.042

STATEMENT OF CHANGES IN RETAINED EARNINGS

	Three Months Ended April 30,		Nine Months Ended April 30,	
	1992	1991	1992	1991
Retained Earnings Beginning Balance	$21,011	($617,715)	($623,302)	($623,302)
Current Income (Loss)	-4,372,739	118,234	-3,728,426	123,821
Ending Retained Earnings	($4,351,728)	($499,482)	($4,351,728)	($499,482)

The accompanying notes are an integral
part of these condensed financial statements

WORLDWIDE COLLECTIONS FUNDS, INC. AND SUBSIDIARIES
Condensed Consolidated Changes in Cash

	--- Nine Months Ended --- April 30 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Income	$729,236	$123,821
- Depreciation	-0-	7,317
Extraordinary Adjustment	-4,457,662	-0-
Sub-total	-3,728,426	131,138
CHANGES IN ASSETS & LIABILITIES		
Decrease (Increase) in Assets		
- Finance Receivables	4,046,319	40,241
- Related Party Notes	257,159	-422,653
- Prepaid Expenses	-630,672	-2,126
- Mortgages Receivable	38,089	-2,836
- Other Receivables	-0-	-24,000
- Fixed Asset Purchases	-0-	-75,807
(Decrease) Increase Liabilities		
- Accounts Payables	-55,252	-116,085
NET TOTAL CHANGES IN CASH	-72,783	-472,128
BEGINNING CASH BALANCE	218,773	831,908
ENDING CASH BALANCE	$14[illegible],990	$359,780

The accompanying notes are an integral
part of these condensed financial statements

WORLDWIDE COLLECTIONS FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Form 10-Q
April 30, 1992

1. BASIS OF PRESENTATION

The financial information herein is, except as may be otherwise noted, are unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results of the interim period.

All information contained in these interim financial statements should be read in conjunction with the Fund's Annual Report, Amended Form 10-K for the year ended July 31, 1991, dated November 11, 1991.

The results of operations for the third quarter and the nine months ended April 30, 1992 are not necessarily indicative of the results expected for the full year.

2. INCOME TAXES

The Fund has made no provision for income taxes for the third quarter and nine months needed April 30, 1992, due to the availability of net operating loss carry forwards.

3. RESTATEMENT

As a result of the sale by the majority shareholder of its common stock in the Fund on April 26, 1986, the Fund's financial statements were restated to reflect a new basis of accounting for the assets and liabilities after applying the purchase method of accounting for this transaction.

4. COMMITMENTS AND CONTINGENCIES

Reference is made to Commitments and Contingencies as reported on annual Amended Form 10-K for the fiscal year ended July 31, 1991 dated November 11, 1991, which are hereby specifically incorporated herein by reference.

WORLDWIDE COLLECTIONS FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Form 10-Q
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5. EXTRAORDINARY ADJUSTMENT

The Fund's primary business is the collection of defaulted finance receivables through litigation. The Fund, through its wholly owned subsidiary, Worldwide Collection Services of Nevada, Inc. (Worldwide of Nevada) instituted approximately 4,000 lawsuits throughout the state of Florida, including approximately 1,000 in Dade County, Florida.

The defendants in the lawsuits in Dade County filed counterclaims against Worldwide of Nevada seeking to avoid their obligations to make payment to Worldwide of Nevada. The counterclaims sought, among other things, to invalidate Worldwide of Nevada's liens on property securing payment. Worldwide of Nevada vigorously opposed the counterclaims. The Circuit Court in and for Dade County, Florida entered orders invalidating Worldwide of Nevada's liens on the property and ordered Worldwide of Nevada to terminate the liens. Worldwide of Nevada resisted terminating the liens, and on March 4, 1992, the Circuit Court in and for Dade County, Florida entered a series of orders holding Worldwide of Nevada in contempt of court for failing to terminate its liens and awarding a partial summary judgement in favor of the defendants. The judgements total approximately $1,8000,000 or approximately $1,400 per defendant. However, it is Worldwide of Nevada's position that each defendant owes it on average approximately $4,000. The judgements are on appeal.

As a result of the judgements, Worldwide of Nevada filed Chapter 11 reorganization proceedings in the United States Bankruptcy Court for the District of Nevada in Reno, Nevada.

Because of the Chapter 11 proceeding, and because of the decreases in payments on its finance receivables as a result of the Dade County Court orders invalidating Worldwide of Nevada's liens, the Fund has decided to reduce the carrying value of its consumer finance receivables to zero.

The Fund management will continue vigorously continue to attempt collection of the Fund's assets.

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6. CHANGE IN ACCOUNTING POLICIES

Prior to this quarter, the Fund's finance income was comprised of interest income and discounts on finance receivables purchased at less than face value. The method of revenue recognition of finance income was as follows:

(i) Unearned interest - Earnings were accounted for over the terms of the receivables on the sum of-the-digits (rule of 78ths) basis for the shorter term notes held by the Fund. Earnings in the longer term notes (ten to twenty years) were recorded on the collection basis.

(ii) Discount - Discounts were recognized as finance income over the lives of the contracts on the "liquidation method" in the ratio of collections to the purchased finance receivables.

From this quarter on, earnings on all currently owned finance receivables will be recorded on the collection basis only. Earnings on finance receivables subsequently acquired may be accounted for on a different basis in accordance with the facts and circumstances.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

For the third quarter ended April 30, 1992, the Fund earned net income of $78,204 or $ .03 earnings per share on revenues of $248,306, before extraordinary adjustments. This compares to the third quarter ended April 30, 1991 of a net $118,234 or $ .04 per share, on revenues of $401,383.

For the nine month period ended April 30, 1992, the Fund reported net income of $722,517 or $ .24 per share on revenues of $1,347,352 before extraordinary adjustments. This compares to net income of $123,821 or $ .04 per share for the nine months ended April 30, 1991.

The extraordinary adjustment reflected during the third quarter ended April 30, 1992 resulted in a charge of $4,457,662 or $1.50 per share, against earnings. Net income after the extraordinary adjustment for the three and nine months ended April 30, 1992 was ($4,372,739) and ($3,728,426) or ($1.47) and ($1.25) per share respectively.

Total expenses for the nine months ended April 30, 1992 were $624,835 as compared to $1,118,708 for the nine month period ended April 30, 1991. The Fund, as of August 1, 1991, entered into a management agreement with Artes-Roy Asset Management, Inc., whereby Artes-Roy Asset Management pays all general and administrative expenses and all salaries on behalf of the Fund. The Fund in return pays Artes-Roy Asset Management, Inc. an annual management fee of 2% of the net asset value and 5% quarterly performance bonus based on the Fund's reported net income. This has resulted in a substantial decrease in the expenses incurred by the fund. Of the $618,116 in expenses reported for the nine month period ended April 30, 1992, $399,800 was paid out in legal collection fees.

Legal collection fees are based on a contract with Jacob & Associates, a Florida law firm. Jacob & Associates receives thirty five percent of all collections received by the Fund. The principals of Artes-Roy Asset Management, Inc and Jacob & Associates are major shareholders of the Funds shares.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Financial Condition

Worldwide collection Fund, Inc. remains in a strong financial condition with stockholders equity of $1,354,533 as of April 30, 1992. Cash on hand as of April 30, 1992 is $145,990 which is sufficient for normal operating expenses.

The Fund, by a vote of its shareholders on January 31, 1992, spun out to shareholders of record February 1, 1992 its shares of Highland Realty Fund, Inc. on a share for share basis. The spin out of Highland Realty Fund which owns all of the Fund's former real estate subsidiaries, has greatly enhanced the financial condition of the Fund, by removing the operations which generated losses and drained cash. The Fund is debt free, with the exception of normal operating accounts payable.

Reference is hereby made to Note 5 to the financial statements presented elsewhere herein. Despite the adverse rulings of the Dade County, Florida Circuit Court, the Fund maintains that its finance receivables are valuable assets, and it will work to enhance their value for the benefit of the shareholders.

Management is considering whether to seek additional expansion capital through the equity market to cover the costs of collection against the defaulted accounts currently in inventory, to buy additional defaulted consumer debt for its own account, and to expand its operations to other geographic locations.

Part II. Other Information

Item 1. Legal Proceedings

The primary assets of the Fund are approximately 16,000 defaulted finance receivables, originally generated by the sale and leasing of home improvement equipment. On April 30, 1992, the Fund charged the book value of all consumer receivables off as an extraordinary expense of $4,457,662.

The April 30, 1992 balance sheet reflects a balance of $425,000 for finance receivables. This $425,000 represents a conservative estimate of the Fund's expected realization from two trust funds under litigation.

The Fund, through legal counsel, has commenced litigation against approximately 4,000 defaulted accounts seeking principal and interest. The debtors in these actions have mounted vigorous defence to the Fund's collection efforts. The cases filed by the Fund in Dade County, Florida, Broward County, Palm Beach County, Florida, and Polk County, Florida have been consolidated in each county and the defence of these cases, with the exception of Polk County, is being pursued by a court ordered local defence management committee. The court hearing the consolidated cases in Dade County, Florida, recently issued an order invalidating the Fund's security interest in the home improvement equipment. The Fund has appealed the order. The court has allowed the Fund to continue to sue on the contracts signed by the debtors. Counsel for the Fund has advised that they are unable to express an opinion as to the outcome of the appeal or a time frame as to when the litigation will be concluded. Management is unable to forecast the ultimate net recovery of this litigation.

Reference is hereby made to Item 3 of the Registrant's Annual Report, Amended Form 10-K for the fiscal year ended July 31, 1991., dated November 11, 1991, which is hereby specifically incorporated herein by reference.

Item 6. Exhibits and Reports on Form 8-K

Reference is hereby made to the Form 8-K, Current Report, dated April 21, 1992 and filed with the Securities and Exchange Commission on or about April 22, 1992 which is hereby incorporated herein by reference.

WORLDWIDE COLLECTIONS FUND, INC.

Form 10-Q

April 30, 1992

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WORLDWIDE COLLECTION FUND, INC.
(Registrant)

Dated : June 11, 1992

Michael C Mann
Treasurer

Dated : June 11, 1992

Edward Artes-Roy
President